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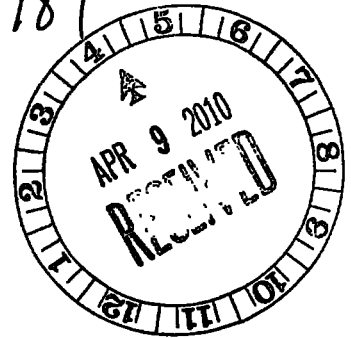
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April 9, 2010

BY HAND DELIVERY

Cynthia T. Brown
Chief of the Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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SURFACE
TRANSPORTATION BOARD

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI,
STB Docket No. AB-415 (Sub-No. 2X)*

EXPEDITED CONSIDERATION REQUESTED

Dear Ms. Brown:

Enclosed please find an original and eleven copies of a Petition for Exemption by Escanaba & Lake Superior Railroad Company to abandon a line of railroad in Ontonagon and Houghton Counties, Michigan. In view of urgent financial issues that are involved, expedited consideration is requested. Please date stamp the extra copy and return it with our courier. Also enclosed is a draft Federal Register notice pursuant to 49 CFR 1152.60(c).

Finally, pursuant to 49 CFR 1002.2(f)(21)(iii), I have enclosed a filing fee check in the amount of \$6,400.00. If there are any questions about this matter, please contact me directly, either by telephone: 202-663-7852 or by e-mail: kobrien@bakerandmiller.com.

Respectfully submitted,

Keith G. O'Brien

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Enclosures

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STB Docket No. AB-415 (Sub-No. 2X)

ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
- ABANDONMENT EXEMPTION -
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI

PETITION FOR EXEMPTION

EXPEDITED CONSIDERATION REQUESTED

FILED
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SURFACE
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April 9, 2010

Attorneys for Escanaba & Lake
Superior Railroad Company

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXPEDITED CONSIDERATION REQUESTED

INTRODUCTION

Pursuant to 49 U.S.C. 10502 and rules applicable thereto at 49 CFR Parts 1121 and 1152, Escanaba & Lake Superior Railroad Company (“ELS”), a Class III common carrier by railroad which owns and operates 347 miles of rail line in Northeastern Wisconsin and the Upper Peninsula of Michigan, files this petition (the “Petition”) seeking an exemption from the provisions of 49 U.S.C. 10903 to terminate its common carrier obligation over and to abandon 42.93 miles of railroad line located in Ontonagon and Houghton Counties, MI, running from milepost 408.02¹ at Ontonagon to milepost 365.09 at Sidnaw (the “Line”). As indicated above, ELS requests expedited Board action on its request.

¹ The Environmental & Historic Report (“E&HR”) and related materials produced and circulated in advance of this Petition included a typographical error, which effectively overstated by a very modest amount the scope of the actual abandonment proposed here. Specifically, materials circulated in advance of this filing incorrectly stated that one of the terminal points of the rail line to be abandoned is at milepost 408.2 at Ontonagon. The terminal milepost in Ontonagon (the end of the line) is actually milepost 408.02. There is no “milepost 408.2” on the ELS system. The total mileage to be abandoned, however, was properly shown in the E&HR and other materials circulated in advance of this Petition as 42.93 miles.

The Line traverses ZIP Codes 49948, 49953, and 49961. Based on information in ELS's possession, the Line does contain federally granted rights-of-way. Any documentation in ELS's possession concerning title will be made available to those requesting it. The following stations are located along the Line: Ontonagon, Rockland, Mass, Rousseau, Pori, and Frost.

ELS submits that the Line is a burden on ELS and interstate commerce because the potential annual revenue that is expected to be generated by shippers remaining on the Line is outweighed by the costs of maintaining and operating it and the opportunity costs of continued ownership. The requested exemption should be granted because the Line unexpectedly has lost its predominant shipper as a result of changing market conditions; and because the proposed action is of limited scope, and because regulation is not necessary to protect the remaining shippers from abuse of market power.

In addition to satisfying the standard criteria for an exemption, the record will establish that the proposed abandonment is a matter of economic necessity, and that the Petition should be granted in keeping with agency policy and precedent. As set forth below, ELS would incur serious operating losses that would threaten its economic viability and its ability to continue serving the rest of its system should it forego salvage of the Line and/or attempt to continue moving the meager amount of remaining traffic that currently originates on the Line. (All traffic on the Line is outbound – there is no inbound carload traffic.) Since that traffic can be accommodated through ELS facilities at Sidnaw, granting the exemption sought herein is fully consistent with the Rail Transportation Policy (“RTP”) objectives at 49 USC 10101.

A key objective of the proposed abandonment, in addition to avoiding the operating losses that would be involved with continued service over the Line, is to restore timely debt service and to reduce debt load that seriously threatens ELS's ability to maintain service over its other lines by

liquidating the Line's salvageable assets and land held in fee. In view of the urgency of the financial situation as outlined below, ELS seeks expeditious action on its petition.

MAPS AND EXHIBITS

A map of the Line is attached hereto as Exhibit A. Exhibit B consists of the consolidated E&HR required by 49 CFR 1105.7 and 1105.8.² (The attached E&HR was previously served on the Board's Section of Environmental Analysis ("SEA") and the required parties, but, pursuant to previous consultation with SEA, ELS will further supplement the E&HR as soon as possible to provide additional information in its Historic Report to fully account for structures potentially of historic interest.) The requisite draft Federal Register notice is attached hereto as Exhibit C, and the certifications of compliance with 49 CFR 1105.7(c), 1105.11, 1105.12 and 1152.60(d), and evidence of newspaper publication are included as Exhibit D. Exhibit E consists of the Verified Statement of Thomas J. Klimek ("V.S. Klimek"), ELS's Vice-President of Marketing, who offers testimony in support of the proposed abandonment, discussing, among other things, avoidable costs burdens ELS faces, ELS's efforts to work with remaining on-Line shippers, transportation alternatives, and, more generally, verifying the facts contained herein. Finally, Exhibit F is the Verified Statement of Anthony H. Jewell ("V.S. Jewell"), which provides an independent estimate of the Line's net liquidation value.

FACTUAL BACKGROUND

As indicated above, the purpose of the proposed abandonment is to – (1) lift from ELS the substantial burden of maintaining and serving a rail line that no longer has existing or prospective traffic that would cover operating costs, and (2) facilitate recovery of investment in track materials and real estate to restore timely debt service and to pay down indebtedness that seriously threatens ELS viability and its ability to serve the rest of its lines.

² Maps required by 49 CFR 1152.60(b) and 1152.22(a)(4) are also included as Exhibits 1 and 3 to the E&HR.

The factual background behind this Petition is set forth in greater detail in the attached Verified Statement of Thomas J. Klimek, and much of the discussion immediately below borrows from Mr. Klimek's statement.

ELS has operated over the Line – which historically had been a northern branch of the old “Milwaukee Road” – since 1980. During ELS's tenure, the largest shipper on the Line had been Smurfit-Stone Container Corporation (“Smurfit”), which had owned and operated a paper Mill (the “Mill”) located near the terminus of the Line at Ontonagon. This Mill produced medium grade corrugated paper for use in making cardboard boxes. Traffic to and from the Mill moved via three modes of transportation – trucks, rail, and water, the latter mode possible due to the Mill's location adjacent to Lake Superior dock facilities at Ontonagon. Smurfit and ELS had a contract for rail transportation of finished product that extended through February of 2009. Under the contract, Smurfit guaranteed a minimum revenue stream, and ELS committed to providing a minimum of three-day-per-week service to the Mill.

Citing the economic downturn, Smurfit notified ELS in mid-November of 2008 that the Mill would be closed from November 24, 2008, through January 2, 2009, due to the economic downturn. Smurfit later announced that the Mill would remain inactive through the end of January 2009. On January 26, 2009, Smurfit filed for Chapter 11 bankruptcy protection.

From December 2008 - February 2009, ELS received no funds under the Smurfit transportation contract. The amount due under the contract for that period exceeded \$1,200,000. The Mill remained closed from February 2009 until June 12, 2009. ELS did not provide service to the Mill during that time, and, accordingly, ELS received no revenue from Smurfit.

Smurfit reopened the Mill for a brief period from June 12 until September 19, 2009. However, despite ELS's rigorous efforts and proposals, Smurfit did not avail itself of ELS rail service at any time during that thirteen-week period. Instead, all inbound and outbound shipments

were handled by truck transportation. On December 14, 2009, Smurfit announced permanent closure of the Ontonagon Mill and another Smurfit mill at Missoula, MT.

Since the sudden and unanticipated Mill closure, ELS has explored whether another interested party would assume control of the Mill site for paper production or for some other industrial operation that might justify retaining the Line. No serious prospects have emerged, and ELS understands that, unfortunately, the chances that the Mill property would resume industrial operations requiring access to rail service are remote at best. See V.S. Klimek at 3-6.

ELS has learned of rumors of entities that might be interested in acquiring the Mill for resumed paper production or for alternative industrial purposes that might benefit from the presence of the Line. At this point, however, ELS has made it abundantly clear that it cannot retain the Line with its current traffic levels, and it cannot afford the costs of holding onto the Line as an inactive asset while waiting and hoping for a new major shipper to take over the Mill. ELS has communicated its abandonment plans to the communities, and certainly any interested acquirer of the Line would by now be aware of the precarious status of the Line. Certainly, then, any entity with a genuine effort to acquire the Mill and make renewed use of the Line would contact ELS directly to see what sort of arrangement (such as a mutually acceptable take-or-pay contract or interim subsidy agreement) would be necessary to forestall abandonment, but no such entity has come forward with such a proposal. Id at 6.

In light of these unexpected circumstances, ELS has explored possible avenues for federal and/or state funding that would warrant ELS's continued retention of the Line as an inactive asset, in order to put off the need to liquidate the Line's assets. ELS could not obtain such a funding vehicle. Id. at 6-7.

A further sign of the Mill's dim prospects is that Smurfit recently sold the Mill's coal stockpile (which coal originally had been delivered by water transportation) to a consumer in Green

Bay, WI, which has, in turn, made arrangements with ELS for the transportation of this coal. This one-time opportunity, which will entail transportation over roughly 210 miles of ELS's lines, will generate between 500-530 carloads. Id. at 6. Thereafter there is no foreseeable possibility of any additional rail shipments moving to or from the Mill.

In 2009, ELS handled a total of 248 carloads over the Line for the following five shippers: Louisiana-Pacific (128 carloads), Sappi Paper (105 carloads), Lakeshore Forest Products (11 carloads), Domtar Industries (2 carloads), and Thilmany Paper (2 carloads). All of this traffic was pulpwood. The table below shows 2009 carloads by station:

STATION	MILEPOST	CARLOADS
Ontonagon	408	3
Mass	388.8	156
Rockland	396.1	0
Rousseau	383.2	87
Pori	381.2	0
Frost	373.1	2
TOTAL		248

The 248 carloads of pulpwood generated on the Line amount only 5.78 rail cars per mile for the entire year.

As demand for service has declined, ELS has reduced service frequency in an effort to better balance operating costs and revenues. In 2005, ELS operated over the Line five-times-per week. However, by January 2009, traffic levels had dwindled to a point where ELS operated over the Line three times per week. By April of 2009, traffic on the Line had further declined so that, for the balance of the year, ELS reduced service on the line to 1.5 trains per week.

The Line has no overhead traffic. In fact, since ELS began operating over the Line in 1980, the only customers of the Line have been the Mill (which has always been the predominant source of traffic) and pulpwood shippers – there have been no other regular users of rail service. Apart from the upcoming one-time coal movement, the only remaining traffic on the Line consists entirely of pulpwood that is harvested in surrounding forests and trucked to sidings along the Line for transfer to rail cars. ELS projects that in 2010, depending upon railcar availability and seasonal impacts on pulpwood harvesting, that the Line would handle about 228 carloads of pulpwood traffic.

PETITIONER'S REPRESENTATIVES

ELS is represented in this matter by Keith G. O'Brien and Robert A. Wimbish, Baker & Miller PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; telephone: (202) 663-7852 and (202) 663-7824; facsimile: (202) 663-7849; email: kobrien@bakerandmiller.com and rwimbish@bakerandmiller.com.

THE EXEMPTION STANDARDS HAVE BEEN MET

Under 49 U.S.C. 10903, a rail line cannot be abandoned without the prior Board approval. However, under 49 U.S.C. 10502, the Board must exempt a transaction from application of 10903 when it finds that – (1) regulation of the transaction is not necessary to carry out the rail transportation policy of 49 U.S.C. 10101; and (2) either (a) the transaction is of limited scope, or (b) regulation is not needed to protect shippers from the abuse of market power. The abandonment proposed by ELS clearly meets the statutory requirements of section 10502.

A. Regulation Is Not Necessary To Carry Out The Rail Transportation Policy

The RTP obviates the need for detailed Board scrutiny under 49 U.S.C. 10903 in this instance. Granting ELS's Petition – rather than requiring it to incur the substantial costs and potential delays involved in submitting a full-blown application – would promote a fair and

expeditious regulatory decision-making process; would ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers and other modes to meet the needs of the public; would reduce regulatory barriers to exit from the industry; and would provide for the expeditious handling and resolution of proceedings required or permitted to be brought under this part. See 49 U.S.C. 10101(2), (4), (7), and (15).

Moreover, allowing ELS to abandon the Line will promote a safe and efficient rail transportation system by enabling ELS to avoid losses and, in turn, earn adequate revenues. See 49 U.S.C. 10102(3). Granting ELS's Petition for a line segment that the evidence proves is not remunerative will foster sound economic conditions, and will encourage efficient management in accordance with the RTP. See 49 U.S.C. 10101(5) and (9).

As indicated in the discussion on avoidable costs (losses) below, ELS began incurring operating losses on the Line beginning in 2009. Assuming it continues operations of the Line through the end of 2010, ELS estimates that it will incur net losses of \$82,783.00 this year.

ELS further estimates that, if it were forced to continue operations through 2011, it would incur operating losses of \$121,760.60. If it were not permitted to abandon the Line, ELS would incur opportunity costs of \$635,141.78, associated with its ownership of rail and track assets with a net salvage value of \$6,519,497.00.

Allowing ELS to abandon the Line would promote the public health and safety by eliminating 52 at-grade crossings (38 public crossings and 14 private crossings). See 49 U.S.C. 10101(8). For all of these reasons, the Board need not require ELS here to use the formal abandonment application procedures in order to carry out the RTP. 49 U.S.C. 10502(a)(1). Indeed, the proposed abandonment and ELS's use of the Board's exemption procedures is fully consistent with that policy.

B. The Proposed Abandonment Is Of Limited Scope

The proposed abandonment is of limited scope, involving 42.93 miles of branch line that, excluding the one-time movement of coal this year, is expected to handle no more than six carloads per mile per year,³ all of which could be transloaded onto railcars at Sidnaw. Again, since ELS assumed operation of the Line in 1980, the only regular customers of the Line have been the Mill (which has always been the predominant source of traffic) and pulpwood shippers. Historically, there have been no other sources of traffic on the Line. There is no overhead traffic on the Line, unless the pulpwood currently trucked to loading sidings on the Line for continued transportation by rail can be deemed overhead traffic, rather than local traffic. In fact, as is discussed in sections to follow and in Mr. Klimek's verified statement (attached), ELS anticipates that, by next year, there will be no traffic at all on the Line. Considering all of the circumstances here, the proposed abandonment is clearly of limited scope.

C. Regulation Of The Proposed Abandonment Is Not Necessary To Protect Shippers From Market Power Abuse⁴

Because the transaction is of limited scope, ELS needs not show that regulation of the abandonment is unnecessary to protect shippers from market abuse. Nonetheless, it is clear that application of the Board's formal abandonment and discontinuance procedures are not necessary to

³ The Board has approved other abandonments under its individual exemption procedures that have involved comparable or longer segments of rail line and higher projected carload-per-mile densities. See, e.g., Arizona & California Railroad Company – Abandonment Exemption – In San Bernardino and Riverside Counties, CA, STB Docket No. AB-1022 (Sub-No. 1X) (STB served Jun. 30, 2009) (“Arizona & California”) (Board granted abandonment of a 49.4-mile rail line that was projected to handle approximately nine carloads per mile); Georgia Southwestern Railroad, Inc. – Abandonment and Discontinuance Exemption – In Harris and Meriwether Counties, GA, STB Docket No. AB-1000 (Sub-No. 1X) (STB served Dec. 10, 2007) (“Georgia Southwestern”) (Board granted abandonment petition for exemption involving a 43-mile rail line); SWKR Operating Company – Abandonment Exemption – In Cochise County, AZ, STB Docket No. AB-441 (Sub-No. 2X) (STB served Feb. 14, 1997) (Board granted abandonment of a 41.5-mile line of railroad that was projected to handle approximately 11 carloads per mile).

⁴ The discussion set forth in this section will be revisited in greater detail in the section immediately following – Public Interest Factors.

protect shippers from a potential abuse of market power in this case.

The only traffic that ELS anticipates would in the future originate on the Line would be pulpwood (STCC code 24-114-10), an exempt commodity that is subject to intense multi-modal competition in Michigan. V.S. Klimek at 13. Although the Mill at Ontonagon is now closed, it had relied exclusively on non-rail transportation when last it operated (id. at 3), which further reinforces the availability and effectiveness of alternative transportation options in the region. Accordingly, abandonment of the Line would not subject shippers to market abuse.

PUBLIC INTEREST FACTORS

Continued operation of the Line would be wholly uneconomical and a considerable financial strain on ELS in and of itself. As an initial matter, any revenue that ELS might receive from transporting the remaining pulpwood originating on the Line should be irrelevant to the Board's economic analysis, because such traffic is "portable" and can originate at Sidnaw, at other loading points south of Sidnaw, or it could even be transported by truck to another railroad for movement to its destination. But even when factoring community and shipper interests against the Line's economic sustainability (based upon what little pulpwood traffic remains) and the substantial opportunity cost that ELS would incur, the public interest nevertheless militates in favor of the proposed abandonment.

A. Factors and Assumptions Underlying ELS's Cost Analysis

Relying on traffic patterns over the past few years and the pulpwood market outlook, ELS projects that it could handle approximately 230 carloads of pulpwood in 2010, and roughly this much again in the years thereafter, assuming that ELS was forced to continue to accept pulpwood at loading points along the Line. Aside from the one-time movement of coal traffic from Ontonagon (discussed above and in Mr. Klimek's verified statement), there is currently no other traffic on the

Line besides pulpwood,⁵ and, unfortunately, ELS does not expect there to be any other traffic in the foreseeable future. Simply put, maintaining and operating a nearly 43-mile rail line for the purposes of handling roughly 230 annual carloads of exempted and low margin pulpwood traffic,⁶ is economically impracticable.

To avoid losses from continued operation of the Line, ELS has been engaged with the Line's remaining pulpwood shippers – Louisiana-Pacific Corporation, Sappi Paper, Lakeshore Forest Products, Domtar Industries, and Thilmany Paper⁷ – to persuade each to transload outbound pulpwood at Sidnaw. *Id.* at 11. ELS believes that these discussions can and will result in voluntary arrangements eliminating all demand for on-Line service. If, however, ELS cannot persuade any of the remaining Pulpwood Shippers voluntarily to divert their traffic to loading facilities at Sidnaw, ELS will have little choice but to decline to provide common carrier rates and service for pulpwood originating north of Sidnaw. Such action, which ELS would undertake only as a matter of basic economic necessity, would not run afoul of the Board's regulations.

Pulpwood – STCC code 24-114-10 – is an exempt commodity pursuant to 49 CFR 1039.11(a).⁸ It is a commodity that is subject to intense rail and truck competition, particularly in Michigan, where state highway regulations permit heavier truck loadings than do neighboring

⁵ On-Line pulpwood is harvested from timber within the general vicinity of the Line. Once the timber is harvested, the pulpwood logs are transferred by truck to rail sidings along the Line, where it is transloaded onto flatcars. All on-Line-originated pulpwood then moves to destinations south of Sidnaw, with roughly half being interchanged with other carriers at Green Bay. Because all virtually all of the pulpwood is initially transported by truck, shifting all on-Line transloading operations to Sidnaw would merely require a modest extension of the truck-haul component of the move, and would not deprive any of the existing pulpwood shippers of economical access to rail service.

⁶ As will be discussed below, pulpwood is subject to intense multi-modal competition, especially in Michigan, and this circumstance limits ELS's ability to derive substantial profits from transporting this commodity

⁷ Collectively, the "Pulpwood Shippers."

⁸ See also Rail General Exemption Authority – Petition of AAR to Exempt Rail Transportation of Selected Commodity Groups, 9 I.C.C.2d 969 (1993).

states. Id. at 13. As a result of the presence of such intense multi-modal competition for the transportation of pulpwood, shippers can and do leverage rail rates with viable and convenient truck transportation alternatives. For these reasons, rail carriers such as ELS lack any market power whatsoever over this commodity.

In light of the commodity exemption, the presence of rigorous multi-modal competition, and the significant losses ELS would face from continuing to operate the Line, ELS has no financial incentive, and has no legal obligation, to quote rates or to provide service to the Pulpwood Shippers,⁹ and it is exceedingly unlikely that any attempt to partially or entirely revoke the existing pulpwood commodity exemption would succeed. As mentioned, ELS hopes to reach amicable arrangements with the Pulpwood Shippers that will persuade each of them to transload pulpwood at facilities in Sidnaw. But if such discussions fail, then ELS will have little choice after a reasonable interval but to refuse to provide pulpwood transportation service north of Sidnaw, effective no later than the beginning of 2011. Id. at 12.

B. Avoidable Costs (Loss)

While the Mill was operating, ELS's operation of the Line was remunerative. But with the difficulties the Mill began to experience in 2008 leading ultimately to its closure, the Line has become a financial drain. The burden has become so serious that if ELS is not permitted to abandon the Line, and is barred from avoiding the operating/maintenance costs and opportunity costs associated with owning a woefully underused, but technically "active," line of railroad, then it is likely that ELS – which, as is discussed below, is already struggling to meet its debt obligations with creditors – ultimately will face insolvency. Were ELS to become insolvent, this could result not only in the abandonment and liquidation of the Line through bankruptcy proceedings, but it

⁹ See Pejepscot Industrial Park, Inc. d/b/a Grimm Industries – Petition for Declaratory Order, STB Finance Docket No. 33989 (STB served May 15, 2003).

could also result in the abandonment of other parts of the ELS system (if not the entire railroad). Such potentially far-reaching impacts of Board denial of this Petition would, of course, threaten the jobs of ELS employees and, because many ELS employees are represented by the United Transportation Union or the Brotherhood of Maintenance of Way Employees, the collective bargaining agreements under which those employees now work.¹⁰

With the end of the Mill's use of ELS service in 2008, ELS's revenues dwindled quickly, and the Line showed significant losses in 2009. ELS has prepared a simplified table to depict the financial performance of the Line for the past five full calendar years, and a forecast for 2010 (which accounts for on-Line pulpwood traffic and the one-time movement of the Mill's coal stockpile), to put the situation in perspective. That table is appended hereto immediately below.

Financial Performance of the Line 2005-2009 and 2010 Forecast

Year	Carloads	On-Line Revenue	On-Line Operating Cost	Operating Profits Before EBIT	Interest & Taxes	On-Line Net Income
2005	6400	1,772,393.00	1,037,301.00	735,092.00	215,627.00	519,465.00
2006	6056	1,783,774.00	1,102,833.00	680,941.00	206,051.00	474,890.00
2007	4395	1,465,856.00	966,942.00	498,914.00	180,598.00	318,316.00
2008	3485	1,192,663.00	832,050.00	360,613.00	128,123.00	232,490.00
2009	248	45,574.00	253,161.00	(207,597.00)	(20,215.00)	(187,382.00)
2010	770	282,979.00	270,000.00	12,979.00	95,762.00	(82,783.00)

As indicated above, ELS projects a 2010 net operating loss for the Line of \$82,783, after gross profits before taxes and interest of \$12,979. This comparatively modest net loss (when measured against the steeper losses of 2009) does not account for the substantial opportunity cost

¹⁰ The possible aftermath of a denial of ELS's Petition is precisely why the proposed abandonment advances many elements of the RTP at 49 U.S.C. 10101.

that ELS would incur this year if it were barred from abandoning the Line. Put into proper context, ELS's projected 2010 net loss would be dwarfed by opportunity costs that would exceed \$600,000.00, applying 2011 opportunity cost calculations discussed below.

For the forecast calendar year of 2011 (the "Forecast Year"), ELS submits for the purposes of this Petition that its avoidable costs (the sum of ELS's operating and maintenance costs for the Line) and its avoidable losses (ELS on-Line operating revenues less avoidable costs) will both be zero. ELS basis this assumption on the fact that, by that time, ELS – (1) will have reached agreements with some or all of the Pulpwood Shippers to truck their pulpwood to ELS-served locations at Sidnaw; (2) will have terminated pulpwood service north of Sidnaw for those shippers with which ELS cannot reach an accord; or (3) will have accomplished a combination of the first two. With no other on-Line traffic in the Forecast Year, ELS would terminate all operations over, and maintenance of, the Line, and would thereby avoid all associated costs. ELS further submits, quite naturally, that it would generate no operating revenues in the Forecast Year.

In the very unlikely event that ELS continued service north of Sidnaw to any remaining pulpwood shippers in 2011, ELS has calculated that, based on current rates, it would generate Forecast Year revenues of approximately (and at best) \$115,000.00,¹¹ and would incur avoidable costs of \$246,760.60, leaving a Forecast Year net avoidable loss of roughly \$131,760.60. *Id.*

C. Opportunity Cost

In abandonment proceedings, the Board may consider opportunity cost to the carrier resulting from continued rail service and/or, in this case, the retention of what is expected to become a non-revenue-generating rail asset. See Abandonment of Railroad Lines—Use of

¹¹ For the purposes of this Forecast Year exercise and to demonstrate just how severe the avoidable losses would be, ELS's witness Mr. Klimek has presumed that every dollar in revenue earned by ELS in moving the remaining on-Line pulpwood would be allocated to the 42.93-mile Line itself, and not to any other part of the ELS system. V.S. Klimek at 11. In fact, ELS traffic data reflects that pulpwood originating on the Line (north of Sidnaw) is transported an average of an additional 114 miles on portions of the ELS system south of the Line (*i.e.*, south of Sidnaw).

Opportunity Costs, 360 I.C.C. 571 (1979); 49 CFR 1152.32(p). ELS does not argue that opportunity cost alone should be the determining factor in favor of abandonment, but it is in this case a significant, potentially even economically fatal, burden on ELS that must be balanced against the interests of shippers and the affected communities.

By eliminating service on the Line pending authority to abandon, ELS may escape incurring avoidable losses, but it cannot, absent a grant of the subject Petition, avoid the crippling opportunity costs associated with holding a moribund, but still quite valuable, asset. The Board has stated that, “opportunity costs (or total return on value of road property) reflect the economic loss experienced by a carrier from forgoing a more profitable alternative use of its assets. Under Abandonment Regulations—Costing, 3 I.C.C.2d 340 (1987), the opportunity cost of road property is computed on an investment base equal to the sum of: (1) allowable working capital; (2) the net liquidation value (‘NLV’) of the line; and (3) current income tax benefits (if any) resulting from abandonment. The investment base (or valuation of the road properties) is multiplied by the current nominal rate of return, to yield the nominal return on value.”¹² Applying this opportunity cost calculus to the evidence discussed below, and assuming that ELS were forced to retain the Line for the Forecast Year, ELS would incur opportunity costs totaling no less than \$635,141.78.

1. Working capital

For the purposes of this Petition, ELS will concede that its allowable working capital (15 days of working capital) will be zero, because it does not presume to be operating on the Line in the Forecast Year.

2. The Line’s NLV

For the purposes of this Petition only, and not for the basis of any offer of financial assistance (“OFA”) proceeding or other attempt at a forced taking of the Line that might ensue from

¹² Union Pacific Railroad Company – Abandonment – In Rusk County, TX, STB Docket No. AB-33 (Sub-No. 275) (STB served Sept. 11, 2009), slip op. at 4-5.

a grant of ELS's Petition, ELS will submit that the Line's NLV (the sum of the value of rail, track and track material and land less the costs to remove and/or sell such assets) is, conservatively, \$6,519,497.00.

ELS offers the attached NLV estimate for the Line prepared by Anthony H. Jewell of Indus-Rail Co. ("Indus-Rail") strictly for the purposes of ELS's economic case to the Board in support of abandonment. See V.S. Jewell, attached hereto as Exhibit F. Mr. Jewell estimates that the rail, track and track material along the Line (excluding land held in fee) possesses a net salvage value ("NSV") of \$6,519,497.00, which ELS believes may understate the actual NSV of the Line's assets. See V.S. Klimek at 14.

Again for the purposes of this Petition, ELS will not to make an upward or downward adjustment in the Forecast Year (2011) rail, track, and track material NSV, even though recent steel and rail price trends suggest it would be reasonable to make an upward NSV adjustment.

Also, although ELS possesses a few parcels of land along the Line, which it estimates to be worth about \$200,000.00, ELS has, for the purposes of this Petition, omitted this land from its NLV figures. This is because ELS has determined that the expense of producing evidence of its fee title interest in such land at this time would be both unduly costly and unnecessary to demonstrate the already harsh opportunity costs that ELS would bear simply by being deprived of recouping the value of the Line's rail, track and track material.

3. Income tax consequences from salvage/sale of the Line

The rail, track and track material would have a Forecast Year tax basis of roughly \$83,204.00, which ELS has concluded would mean that (for the purposes of this Petition) ELS would have a taxable gain from selling or salvaging the Line of \$6,436,293.00 (\$6,519,497.00 less \$83,204.00). Applying to this \$6,436,293.00 gain a 40% income tax reduces the gross proceeds of sale or salvage by roughly \$2,574,517.00, so that ELS's after tax net proceeds for sale or salvage of

the line would be \$3,944,980.00 (\$6,519,497.00 less \$2,574,517.00).

4. Holding gain

Because of volatility in the scrap and reusable steel markets, ELS has opted not to apply a holding gain or loss for the forecast year. The Board has, in the past, accepted similar such assumptions.

5. Net investment base

Based on the above evidence and discussion, ELS calculates (conservatively) that its net investment base from which the forecast year avoidable cost would derive is as follows:

NLV	\$6,519,497
Income tax adjustment	\$2,574,517
Holding Gain	\$0
<hr/>	
Net investment base	\$3,944,980

6. Opportunity cost (forecast year)

Applying the net investment base of \$3,944,980.00 to the pre-tax cost of capital for Class III rail carriers (16.1%)¹³ yields a forecast year opportunity cost of \$635,141.78.¹⁴ Such opportunity costs would be a burden for any railroad, but it is especially onerous for an independent short line railroad such as ELS, which, quite frankly, could possibly face insolvency if it is not permitted to abandon the Line.

D. Alternative Transportation

The area between Ontonagon and Sidnaw is served By U.S. Highway 45 in Ontonagon County, and by Michigan Routes 26, 28, 38, and 64 in Ontonagon and Houghton Counties, in

¹³ As derived by applying a multiplication factor of 1.37 to the most recent Board computation of the railroad industry's after-tax cost of capital of 11.75%. Railroad Cost of Capital – 2008, STB Ex Parte No. 558 (Sub-No. 12) (STB served Sept. 25, 2009), ___ S.T.B. ___ (2009).

¹⁴ Assuming for the sake of argument that ELS has overstated its net investment base by overstating the Line's net salvage value of rail, track and track material by as much as \$1.5 million, such a scenario would still result in a net investment base of \$3,044,980.00, and a Forecast Year opportunity cost of \$490,242.00.

addition to local roadways. These highways are currently used to move pulpwood from points of harvest in forest areas to rail sidings along the Line between Ontonagon and Sidnaw for transloading onto railcars. They will serve equally well in moving pulpwood somewhat further for transloading at ELS facilities at Sidnaw. Prior to the final closure of the Mill, these highways were also utilized to meet all of Smurfit's transportation needs during the period between June 12 through September 19, 2009, when the Mill made no use of rail service. In addition, Ontonagon will retain its access to Great Lakes water transportation. Thus, alternative transportation service is readily available.

E. Other Policy and Public Interest Considerations

ELS appreciates that loss of access to rail service would be disadvantageous to the affected communities, and ELS has been mindful of this factor in evaluating whether or not to seek Board authority to abandon the Line. Nevertheless, in light of the economic circumstances the railroad faces, ELS has come to the inescapable conclusion that abandonment is absolutely necessary if ELS is to survive, to meet its obligations to its creditors, and to persevere as an efficient and competitive rail carrier.

As is explained above, ELS is working with the Pulpwood Shippers to persuade them to relocate their respective transload operations off of the Line to ELS-served facilities at Sidnaw. ELS believes that, in time, some of the Pulpwood Shippers may provide statements supporting (or not opposing) the abandonment. Moreover, because the proposed abandonment may be critical to ELS's future viability, ELS anticipates that some of its existing creditors and/or business partners may also come forward in support of the Petition.

In the midst of trying economic circumstances, ELS is struggling to balance the demands of servicing a significant debt burden while maintaining responsive service to the fullest extent reasonably possible. The precipitous loss of revenue on the Line has caused financial extremis to

the point that ELS must defend itself against a collection action for ELS's acknowledged default on promissory notes and loans secured by ELS real estate and personal property including rolling stock, ties, rail, tools and equipment. Specifically, Heartland Business Bank ("Heartland"), a major ELS creditor, has instituted an action in federal district court seeking to foreclose on mortgages and liens on ELS operating property which secure loans in excess of \$3.8 million that are currently in default.¹⁵

The asset liquidation resulting from abandonment would free up resources for ELS to resolve the circumstances underlying the aforementioned Heartland collection action, and would obviate Heartland's own intentions, notwithstanding the Board's regulatory processes, to liquidate the same rail assets at issue in this abandonment proceeding via foreclosure. At the same time, other ELS creditors and business partners have expressed support for ELS's efforts to shed the Line, to focus on those portions of its system that are still remunerative, and to thereby strengthen the railroads financial position. These creditors, business partners, and, indeed, the federal district court overseeing the Heartland action are, and will be, watching developments in this proceeding with considerable interest.

This does not mean to suggest, of course, that ELS's abandonment proposal will be universally well received. Some in the affected communities may express disappointment with ELS's decision to abandon the Line, and oppose the Petition despite the demonstrated economic realities underlying the decision to seek abandonment authority. Aware of possible opposition, ELS has taken care to develop its case so that, even under the conservative avoidable cost and opportunity cost estimates it has offered herein,¹⁶ there is ample record evidence demonstrating that

¹⁵ The Heartland foreclosure action is currently pending in the United States District Court for the Western District of Michigan, Northern Division, Case No. 209 cv 243.

¹⁶ The point warrants emphasis. ELS has opted to make assumptions in estimating avoidable costs and opportunity costs that would most likely result in understating those costs. ELS has done this to

the requested abandonment is warranted.

ELS would have incurred considerable additional time and expense to develop a full-blown formal abandonment application. It has already incurred considerable expense in the preparation of this Petition. ELS has explained above that holding ELS to such an exacting, expensive, and potentially protracted application process here, especially in light of the evidence that ELS has supplied here, would be unnecessary and wholly contrary to the RTP. To the extent that any objector may raise convenient but ultimately hollow procedural arguments (as some have attempted to do in other, recent abandonment cases) asserting, essentially, that ELS's Petition should be denied on the basis that it is opposed, gives rise to "controversy," and that ELS should therefore be made to prepare and file an abandonment application, ELS urges the Board to consider the substance of the evidence offered herein, which ELS submits quite clearly militates in favor of acting upon and granting the Petition.¹⁷ In such a case, ELS would urge the Board to consider ELS's current financial position and possible ramifications to ELS, its shippers and employees if the

avoid as much as possible any distracting criticism, or attacks on the credibility, of ELS's financial evidence, and also to demonstrate that, even when understated, the financial burden of continued ownership and/or operation of the Line is significant and debilitating to a carrier of ELS's status. In taking such an approach to its Petition, ELS is hopeful that the Board will focus its analysis on the following two points: (1) the obvious burden that operation, let alone mere ownership, of the Line places upon ELS; and (2) the simple fact that no new (and credible) traffic opportunities exist that would return the Line to profitability.

¹⁷ Such an approach would be consistent with the Board's case-by-case evaluation of evidence and arguments for and against the use of the individual exemption process for rail line abandonments. See, e.g., Arizona & California slip op. at 2 (noting that "opposition to an abandonment proposal will not alone defeat a petition for exemption," the Board granted a short line railroad's petition for exemption despite vocal opposition where the record was sufficient for the Board to act); Dakota Rail, Inc. – Abandonment Exemption – In McLeod, Carver, and Hennepin Counties, MN, STB Docket No. AB-472 (Sub-No. 1X) (STB served Nov. 30, 2001) slip op. at 4 (short line carrier's petition for exemption found to "fully comport[] with our regulations and, when viewed in the light of the comments that have been filed, provide[] a sufficient basis for us to determine whether a need for service over the line exists. Thus, the petition will not be denied on the basis that [the petitioner] should be required to file an application for abandonment authority" in light of the numerous comments and statements of opposition); cf. Georgia Southwestern (Board granted abandonment petition for exemption over the opposition of the Georgia Department of Transportation).

Board were at this juncture to deny the Petition.

Finally, it is possible that opponents to the proposed abandonment will advance scenarios under which the Mill will return to service or under which it will be converted to alternative industrial production requiring access to rail. However, no would-be shipper has yet contacted ELS (and ELS has found none on its own) to put forth a concrete plan or to make a specific financial commitment to ELS to justify keeping the Line mothballed indefinitely.¹⁸ See V.S. Klimek at 5, 15. As the Board well knows, it is not enough to speculate about future traffic prospects, even to offer un-guaranteed future traffic projections, in an attempt to buy time, but it is altogether another thing to back up such figures with a binding financial commitment to preserve rail service.¹⁹ In the

18

Although protestants anticipate that the proposed abandonment would cause job loss, restrict access to markets, and lead to decline in development of new enterprises, it is not clear from the facts here that retention of the rail line would ensure economic development opportunities in the communities traversed by the Line . . . [T]he loss of speculative future economic development arising from abandonment does not outweigh demonstrated harm to the carrier resulting from continued operation of a line. See San Joaquin Valley Railroad Company—Abandonment Exemption—in Tulare County, CA, STB Docket No. AB-398 (Sub-No. 7X), slip op. at 9 (STB served June 6, 2008) . . . [A]lthough the analysis weighs in favor of abandonment of the line, . . . protestants have the opportunity through the OFA process to preserve rail service.

The Indiana Rail Road Company – Abandonment Exemption – In Martin and Lawrence Counties, IN, STB Docket No. AB-295 (Sub-No. 7X), slip op. at 6 (STB served Mar. 26, 2010) (footnote omitted).

19

[Protestants'] profit forecasts . . . are based on potential traffic that is too speculative to be given weight. In Union Pacific Railroad Company—Discontinuance—in Utah County, Utah, STB Docket No. AB-33 (Sub-No. 209) (Utah County), slip op. at 2-3 (STB served Jan. 2, 2008), the Board declined to consider a potential shipper's traffic projections because [it had] not taken the basic step of contacting the carrier about rates and terms of service, nor had it provided contracts or otherwise demonstrated that the traffic would be likely in the coming year. Here, [there abandonment opponents offer] no verified shippers' statements . . . , and [their] only evidence of potential traffic consists of three letters addressed to [them] claiming that rail service will be necessary for potential business ventures. As was the case in Utah County, there is no evidence before the Board in this case of any commitment or

absence of firm traffic commitments or other privately-negotiated subsidy, interested communities or other parties seeking to forestall abandonment would still have access in this case to the Board's offer of financial assistance ("OFA") provisions at 49 U.S.C. 10904 and 49 CFR 1152.27.

LABOR PROTECTIVE CONDITIONS

ELS is agreeable to the labor protective conditions imposed in abandonment proceedings as prescribed in Oregon Short Line R. Co – Abandonment – Goshen, 360 I.C.C. 91 (1979) as those conditions may apply each railroad's respective employees.

EXPEDITED CONSIDERATION

As demonstrated above, the precipitous loss of revenue on the Line has had such a severe impact on ELS that it has had to default on some of its financial obligations, and now must defend itself in a collection action seeking foreclosure real estate and operating properties that secure the involved promissory notes and loans. Other creditors and business partners are watching the situation closely, and have expressed their support of ELS's decision to abandon this unproductive Line and to focus all of its efforts on portions of the ELS system that are remunerative.

It is imperative that ELS restore responsible debt service and a measure of liquidity to the company as expeditiously as possible. It simply cannot take a "wait-and-see" approach to the unlikely possibility that some investor will assume ownership of the Mill and return it to service. Salvage and sale of the unproductive assets on the Line would be a major step in the interest of restoring ELS to a sound economic basis. At the same time, the prospect of a downward spiral of further losses on the Line with no hope of reversal will serve only to exacerbate the economic dilemma that necessitated the decision to abandon the Line. Delay for delay's sake will severely

affirmative acts by shippers to secure new rail service over the line. As a result, the Board considers the potential future traffic cited by the [abandonment opponents] as too speculative to be considered in the forecast-year data.

Arizona & California slip op. at 3-4.

weaken ELS, causing difficulties for ELS's creditors and business partners. For all these reasons ELS urges the Board to act expeditiously in considering and acting on this Petition.

If the Board deems it an appropriate mechanism to effectively, efficiently, and swiftly complete the record and to shepherd this proceeding to a conclusion, then ELS would accept the adoption of an expedited procedural schedule to govern the balance of this proceeding.

CONCLUSION

ELS seeks an exemption from the provisions of 49 U.S.C. 10903 to abandon 42.93 miles of rail line located in Ontonagon and Houghton Counties, MI. The exemption is warranted in light of the substantial burden that continued ownership and operation of the Line imposes on ELS, as has been demonstrated in the foregoing sections of this Petition. For ELS, the proposed abandonment, which has been occasioned by the unanticipated closure of the Line's predominant shipper, is a matter of survival for the balance of the short line's system.

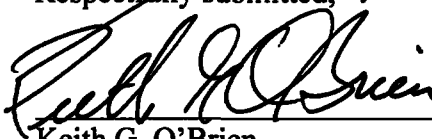
For the reasons set forth in this Petition, application of the Board's formal abandonment procedures at section 10903 is not needed in this case to carry out the RTP set forth at 49 U.S.C. 10901, and, in fact, granting ELS's Petition would promote many of the elements of that policy. Likewise, the proposed abandonment is of limited scope, and no potential for abuse of market power would result from the requested exemption.

Accordingly, ELS urges expeditious Board action to grant an exemption for the proposed abandonment of the Line.

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Dated: April 9, 2010

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Keith G. O'Brien", is written over a horizontal line.

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Railroad Company

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

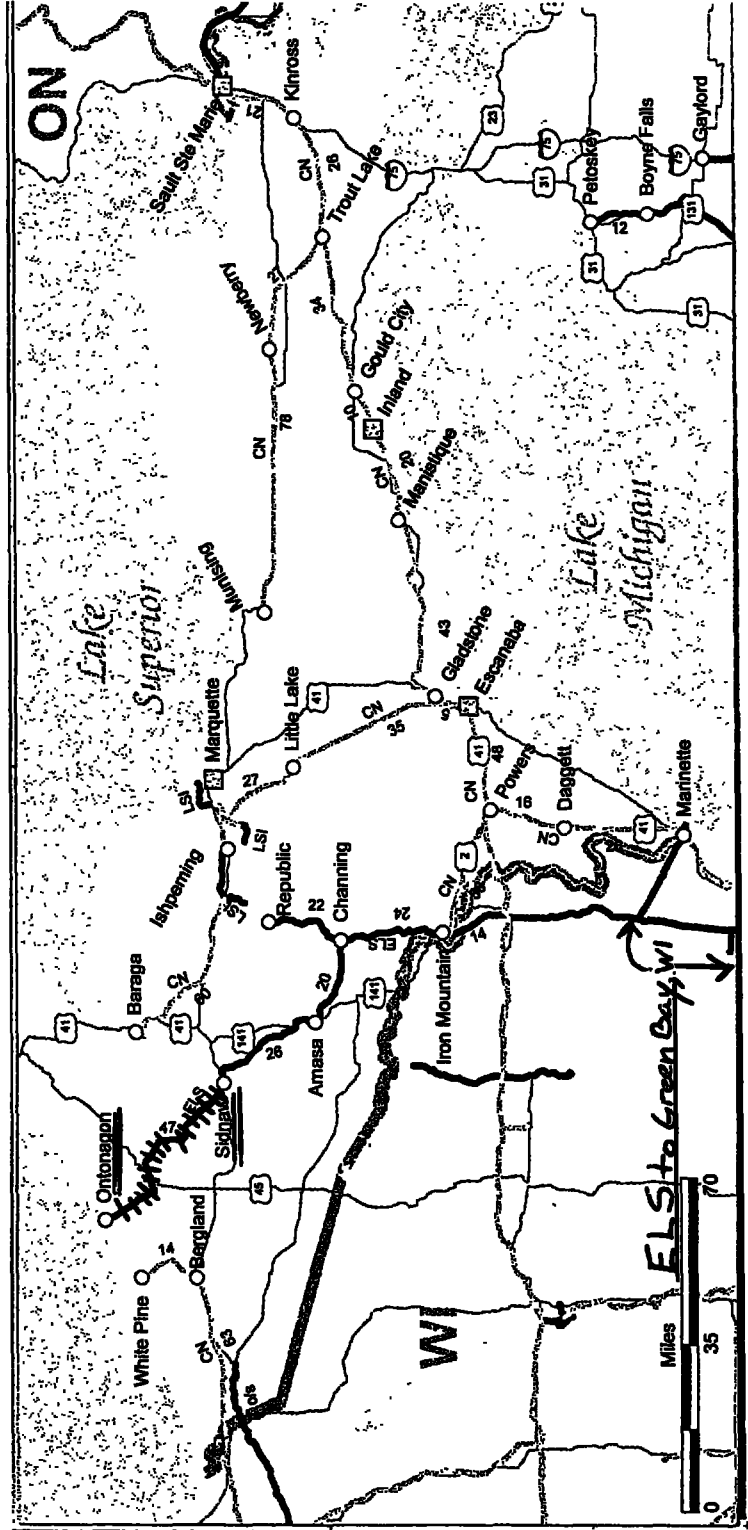
**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXHIBIT A

MAPS

MICHIGAN



**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXHIBIT B

CONSOLIDATED ENVIRONMENTAL & HISTORIC REPORT

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

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March 4, 2010

**Attorneys for Escanaba & Lake Superior
Railroad Company**

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

Pursuant to the above-captioned proceeding, Escanaba & Lake Superior Railroad Company (“ELS”) intends to abandon an approximately 42.93-mile rail line extending between milepost 408.2 at Ontonagon, and milepost 365.09 at Sidnaw, in Ontonagon and Houghton Counties, MI. In accordance with the procedures set forth in 49 CFR 1105.7 and 1105.8, ELS is required to submit the following consolidated Environmental and Historic Report.

ENVIRONMENTAL REPORT

(1) PROPOSED ACTION AND ALTERNATIVES

Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

Escanaba & Lake Superior Railroad Company (“ELS”) proposes to abandon an approximately 42.93-mile rail line extending between milepost 408.2 at Ontonagon, and milepost 365.09 at Sidnaw, in Ontonagon and Houghton Counties, MI (the “Line”). A map delineating the proposed project is attached as Exhibit 1. Upon obtaining authority to abandon the Line, ELS will salvage the Line’s track and track material, and will dispose of the real estate.

In 2009, ELS handled 248 carloads over the Line in service to the following five shippers: Louisiana-Pacific (128 carloads), Sappi Paper (105 carloads), Lakeshore Forest Products (11 carloads), Domtar Industries (2 carloads), and Thilmany Paper (2 carloads). Pulpwood was the only commodity handled in 2009. The table below identifies 2009 carloads by station.

2009

STATION	MILEPOST	CARLOADS
Ontonagon	408	3
Mass	388.8	156
Rockland	396.1	0
Rousseau	383.2	87
Pori	381.2	0
Frost	373.1	2

As indicated above, upon obtaining abandonment authority, ELS plans to remove the Line's rail and salvageable track material (such as tie plates, fasteners, crossties, and, possibly, the upper layer of ballast). ELS, however, does not intend to disturb any sub grade or sub grade structures, and therefore will not engage in any excavation activity. Abandonment and the resultant salvage of the line of the Line will eliminate 52 at-grade rail-highway crossings – 14 private crossings, and 38 public crossings.

Over the past several years, ELS has reduced service frequency over the Line in response to declining demand for service. As illustration, in 2005, ELS operated over the Line on a five-times-per-week basis. By January of 2009, however, traffic levels had dwindled to a point where ELS could justify operating over the Line on a thrice weekly basis only, and, by April of 2009, traffic levels had further declined so that, for the balance of the year, ELS reduced service levels on the Line to an average of 1.5 trains per week. The Line has no overhead traffic. The limited remaining traffic consists entirely of pulpwood that is trucked to sidings along the Line for transfer to rail cars. ELS projects that in 2010, depending upon rail car availability and seasonal impacts on pulpwood harvesting, the Line will handle a total of 228 carloads of traffic – all pulpwood. ELS is arranging to expand its facilities at Sidnaw, MI, to permit the truck-to-rail pulpwood transloading that now takes place along the Line to be relocated to Sidnaw. (See discussion in Section (2), immediately below.)

The only alternative to abandonment would be for ELS not to abandon the Line, and to continue to incur losses associated with the ownership of an essentially moribund rail asset with remote, if any, prospect for the return of enough traffic to justify continued operations. In light of the exceedingly limited amount of traffic, and the financial drain that ownership of a money-losing asset imposes on the railroad, ELS sees no choice but to proceed with the subject abandonment petition for exemption.

(2) TRANSPORTATION SYSTEM

Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

There is no passenger traffic on the line. In 2009, 248 carloads (all pulpwood) moved on the Line. In connection with the proposed abandonment, ELS will expand pulpwood loading capabilities for customers at Sidnaw (MP 362.66), so that pulpwood shippers will continue to have access to rail service via ELS. ELS projects a total of 228 carloads on the Line in calendar year 2010. If all 228 carloads of projected 2010 traffic were diverted to truck, the volume impact would be less than 2 trucks per day on state and local roads.¹ Accordingly, the proposed abandonment should have no adverse effects on regional or local transportation systems and patterns. The elimination of at-grade crossings, which would result from the proposed abandonment, should improve local roadway traffic conditions.

(3) LAND USE

- (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies.**

ELS believes that the proposed abandonment is consistent with, and would promote, existing land use plans. The land adjoining the Line is mainly rural and forested in character.

By letters dated March 4, 2010, copies of this Environmental Report have been mailed to the appropriate local and state agencies, including Ontonagon and Houghton Counties, and the Village of Ontonagon, MI, for their information and comment. See Exhibit 2.

- (ii) Based on consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land.**

ELS does not believe that there is any prime agricultural land that would be affected by the proposed abandonment. As indicated above, the land through which the Line traverses is predominantly forested. Nevertheless, ELS has notified the United States Department of Agriculture ("USDA") - NRCS of the proposed abandonment by letter dated March 4, 2010 (to which letter this Environmental Report was appended), and has requested assistance in identifying any potential effects on prime agricultural land. See Exhibit 2.

- (iii) If the action affects land or water uses within a designated costal zone, include the coastal zone information required by 1105.9.**

ELS believes that no part of the Line traverses a designated Michigan coastal zone in Ontonagon County (*i.e.*, comes within 1,000 feet of the shore of Lake Superior in Ontonagon

¹ ELS bases its truck traffic projections on a ratio of 1.67 truckloads of pulpwood to 1 rail car load. Due to Michigan truck weight standards, the average pulpwood truckload is about 21 cords (depending upon the wood species carried), compared to roughly 35 cords for the average rail car load. As indicated above, however, virtually all of the pulpwood carried over the Line originates at locations that are not immediately adjacent to the Line, and thus are trucked to loading sidings on the Line. Accordingly, the proposed abandonment does not necessarily result in a strict rail-to-truck conversion, but rather it would result in potentially longer truck hauls to another ELS pulpwood transloading point such as Sidnaw.

County). In its effort to comply with the requirements of section 1105.9, ELS has contacted the Western Upper Peninsula Planning & Development Region ("WUPPDR"), and the Michigan Department Natural Resources & Environment ("MDNRE") on this issue. In connection with these ongoing efforts and in the interest of compliance with section 1105.9, ELS has served a copy of this report on WUPPDR and MDNRE by letter dated March 4, 2010.

- (iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. § 10905 and explain why.**

ELS believes that the Line could be suitable for alternate public use. For example, the Line's right-of-way could be well-suited for use as a recreational trail, which could promote tourism in the Ontonagon area and, more generally, the Western Upper Peninsula of Michigan.

(4) ENERGY

- (i) Describe the effect of the proposed action on transportation of energy resources.**

The proposed abandonment will have no effect on the transportation of energy resources.

- (ii) Describe the effect of the proposed action on recyclable commodities.**

The proposed abandonment will have no effect on the transportation of recyclable commodities.

- (iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why.**

The proposed abandonment will have minimal effect on overall energy efficiency. Although pulpwood shipments currently handled on the Line would have to be trucked a potentially greater distance to access an ELS rail loading facility at Sidnaw, the overall impact of this alternative transportation service on fuel consumption is expected to be comparatively minimal.

- (iv) If the proposed action will cause diversions from rail to motor carriage of more than:**

(A) 1,000 rail carloads a year; or

(B) An average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given.

Neither of the above thresholds would be exceeded. 248 carloads of traffic moved over the Line in 2009, and ELS projects that it would handle approximately 228 carloads through 2010 absent authority to abandon. Accordingly, the proposed abandonment will not cause the diversion to motor carriage of more than 1,000 rail carloads a year; or an average of 50 rail

carloads per mile per year for any part of the Line.

(5) AIR

(i) If the proposed action will result in either:

- (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal , or**
- (B) An increase in rail yard activity of at least 100 percent (measured by carload activity), or**
- (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. § 10901 (or § 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in sub-section (5)(i)(A) will apply.**

The above thresholds will not be exceeded.

(ii) If the proposed action affects a class I or nonattainment area under the Clean Air Act, and will result in either:

- (A) An increase in rail traffic or at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line,**
- (B) An increase in rail yard activity of at least 20 percent (measured by carload activity), or**
- (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, the state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction 49 U.S.C. § 10901(or 49 U.S.C. § 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply.**

Based upon 40 CFR 81.325, ELS believes that Ontonagon and Houghton Counties are *not* designated non-attainment areas, and that the above-stated thresholds are therefore inapplicable. Nevertheless, the above thresholds will not be exceeded.

- (iii) If transportation of ozone depleting materials (such as nitrogen oxide and ☐reon) is contemplated, indentify: the materials and quantity; the frequency of service; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and spills, contingency plans to deal with accidental spills; and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.**

Not applicable.

(6) NOISE

If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause:

- (i) An incremental increase in noise levels of three decibels Ldn or more; or**
- (ii) An increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.**

None of the thresholds in item 5(i) of this section will be exceeded.

(7) SAFETY

- (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad grade crossings).**

The Line currently handles minimal traffic, which is transported on an infrequent, as-needed basis. Furthermore, all existing and projected traffic on the Line originates at points geographically removed from the Line itself, and is trucked to sidings along the Line, where it is transloaded onto railcars. If ELS is permitted to abandon the Line, ELS anticipates that this pulpwood would be trucked to Sidnaw for loading there. For these reasons, the proposed abandonment is not expected to have any material adverse effect on public health and safety. If the abandonment is granted and the Line is salvaged, ELS will close 38 public road crossings and 14 private crossings, thereby improving local traffic flow and eliminating the possibility of train-automobile collisions.

- (ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service; whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills; and the likelihood of an accidental release of hazardous materials.**

Over the past year, the only commodity transported over the Line has been pulpwood, a non-hazardous commodity. To the best of ELS's knowledge there is little chance of any new traffic emerging, hazardous or otherwise. Of course, the proposed abandonment would foreclose the possibility of future transportation of hazardous materials over the Line.

- (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way; identify the location of those sites and the types of hazardous materials involved.**

ELS is not aware of any known hazardous waste sites or sites where there have been known hazardous materials spills on the Line.

(8) BIOLOGICAL RESOURCES

- (i) Based on consultation with the U.S. Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects.**

ELS does not believe that the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat. ELS has notified the U.S. Fish and Wildlife Service ("USF&W") of the proposed abandonment by letter dated March 4, 2010, and has requested assistance in determining whether the proposed abandonment will adversely affect endangered or threatened species or areas designated as a critical habitat. A copy of this report was attached to the letter sent to USF&W. See Exhibit 2.

- (ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.**

ELS is unaware of any wildlife sanctuaries or refuges, National or State parks or forests that would be adversely affected by the proposed abandonment. ELS has notified the National Parks Service ("NPS") of the proposed abandonment by letter dated March 4, 2010, requesting assistance in identifying any potential effects on wildlife sanctuaries or refuges, National or State parks or Forests. A copy of this report was attached to the letter sent to NPS. See Exhibit 2.

(9) WATER

- (i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards. Describe any inconsistencies.**

ELS is confident that the proposed abandonment will be consistent with applicable water quality standards. The Line traverses numerous streams and other watercourses, all of which are depicted on a map attached hereto (see Exhibit 3.) In connection with this issue, ELS has contacted the Michigan Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency ("USEPA") by letters dated March 4, 2010. A copy of this report (along with the maps) was attached to the letter. See Exhibit 2.

- (ii) Based on consultation with the U.S. Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U.S.C. § 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected. Describe the effects.**

ELS believes that – (1) no permits under section 404 of the Clean Water Act will be required for the proposed abandonment, and (2) no designated wetlands or 100-year flood plains will be affected. Upon receiving abandonment authority, removal of material will be accomplished by use of the right-of-way for access, along with existing public and private crossings. No new access roads are contemplated. ELS does not intend to disturb any of the

underlying roadbed or to perform any activities that would cause sedimentation or erosion of the soil, and does not anticipate any dredging or use of fill in the removal of the track material. The crossties and/or other debris will be transported away from the Line and will not be discarded along the right-of-way; they will not be placed or left in streams or wetlands, or along the banks of such waterways. Also, during track removal, appropriate measures will be implemented to prevent or control spills from fuels, lubricants or any other pollutant materials from entering any waterways. For these reasons, ELS believes that a permit under Section 404 of the Clean Water Act will not be required.

ELS has contacted the U.S. Army Corps of Engineers – Grand Haven Field Office by letter dated March 4, 2010. With respect to this item, a copy of this report was attached to the letter. See Exhibit 2.

(iii) State whether permits under section 402 of the Clean Water Act (33 U.S.C. § 1342) are required for the proposed action.

ELS believes that no permit under section 402 of the Clean Water Act would be required for the abandonment. (See discussion in section 9(ii) above.) ELS has contacted the MDEQ and the USEPA regarding this item by letter dated March 4, 2010, and has requested assistance in identifying any potential water quality impacts (based on applicable water quality standards) and in determining whether the proposed abandonment is consistent with such federal, state, or local standards. A copy of this report was attached to the letter. See Exhibit 2.

(10) PROPOSED MITIGATION

Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate.

ELS does not expect any adverse environmental impact from the proposed abandonment and, therefore, mitigating action is unnecessary. ELS will, of course, cooperate in any further evaluation of proposed remedial/mitigation actions which interested federal, state, and/or local agencies may recommend to the Board.

(11) ADDITIONAL INFORMATION FOR RAIL CONSTRUCTIONS

Not applicable.

HISTORIC REPORT

49 CFR 1105.8(d):

- (1) **A.U.S.G.S. topographic map (or alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action;**

A map generally depicting the location and scope of the Line is attached hereto as Exhibit 1. U.S.G.S. topographic maps and a map showing the location of water crossings along the Line are attached as Exhibit 3. Both maps are being supplied to the Michigan Office of Historic Preservation as part of a complete copy of this report. There are 51 railroad structures on the line that are believed to be 50 years old or older, all but one of which is either a bridge or culvert. The other structure is a railroad depot located at the end of the Line in Ontonagon. The location of these structures is depicted on the water crossings map at Exhibit 3.

- (2) **A written description of the right-of-way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area;**

The 42.93-mile right-of-way is generally 100 feet wide, with some minor variance. The north end of the Line begins at milepost 408.02 in Ontonagon, MI, at an elevation of 642 feet. From the northern terminus, the Line travels in a generally southeastern direction through upland plains, highlands, and hilly uplands. The Line traverses heavily forested, rural lands. From Ontonagon, the Line continues through the railroad station locations of Rockland, Mass, Wasas, Pori, and Frost,² and ends just north of Sidnaw at milepost 365.09.

- (3) **Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area;**

Due to the accumulation of snow in the area through which the Line runs, and due also to the remoteness of some of the structures to be documented, ELS has not yet been able to complete a photographic record of the structures on the Line that may be 50 years old or older. Many of these structures are not now fully visible, and cannot adequately be documented photographically until later this year when snow cover recedes. In the mean time, ELS refers interested parties to the attached water crossing map included as part of Exhibit 3. ELS believes that each such water crossing corresponds to the location of a structure (either a bridge or culvert) that is 50 years old or older. As Appendix A to Exhibit 3, ELS is also attaching copies of a track chart, which provides further documentation that may be relevant to historical analysis of the structures in question. Aside from the materials included in Exhibit 3 and the photographs that ELS expects separately to file within the next few weeks, ELS does not have any additional information in its possession (such as engineering diagrams or other records) that it believes

² There is no actual railroad structure (such as a depot or station building) at any of these locations.

would be of usefulness in aiding in any historical structures analysis.

ELS recognizes its obligation to comply with the regulatory requirement to document all relevant structures photographically, and, as indicated above, it will so comply as soon as it is able. ELS has elected to move forward with its request for authority to abandon the Line at this time out of pressing economic necessity, and acknowledges that any action directly affecting structures on the Line that are 50 years old or older may need to be postponed until the state historic preservation office and SEA have been supplied with complete information and have been able to complete their respective historic analyses.

As additional information, ELS does not anticipate removing or dismantling any of the bridges or culverts along the Line, and it has no plans for the disposal of the depot at Ontonagon.

(4) The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known;

According to the limited information in ELS's possession, the bridges and culverts along the Line are believed to have been built between the 1890s and 1951. Some of these structures, such as the large bridge crossing of the Ontonagon River have been improved over time.

The Ontonagon depot was originally constructed in 1898, although it has been modified and improved over time. It is in poor condition, as will be evident from the photographs of this edifice that ELS will supply later.

(5) A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action;

The line between Sidnaw and Ontonagon was completed in the late 1800s by the Ontonagon & Brule Railroad ("O&B"). The Michigan & Northern Railroad ("M&N") subsequently purchased the O&B, and the M&N was, in turn, acquired by the Chicago, Milwaukee, St. Paul & Pacific Railroad ("Milwaukee Road"). The Milwaukee Road operated the Line until 1980, when it was sold to ELS, a privately-owned short line railroad.

ELS intends, upon obtaining STB authority, to terminate rail common carrier service over and to abandon the line. ELS would also salvage the rail and track material that possesses positive net salvage value. However, ELS does not intend to dismantle or remove any bridges or culverts along the Line. ELS has no immediate plans for the disposal of the Ontonagon depot, but ELS believes that the structure could be useful to the community of Ontonagon, which might find the structure to be of value as a historic resource.

(6) A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic;

As indicated above, although the Line was built the late 1800s, ELS, the fourth owner of the Line has been in possession of the property since only 1980. ELS was not supplied with, and does not have, engineering drawings of the structures identified in Section 5, above. In fact, the only relevant documents in ELS's possession have been included in Exhibit 3.

- (7) An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 CFR 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area, and the basis for these opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities);**

As indicated above, ELS's records indicate that there are 51 structures (bridges, culverts, and one railroad depot) on or adjacent to the Line that are 50 years old or older. In the opinion of ELS, these structures would not meet the criteria for listing on the National Register of Historic Places. ELS believes that none of the subject structures has unique or otherwise significant design characteristics. From an architectural standpoint, the depot in Ontonagon does not possess any significant historical design features that should warrant any preservation efforts. Regardless, ELS understands that many of the structures in question could be preserved and remain in use in the event that the Line's right-of-way were to be converted into recreational trail.

ELS is also unaware of any archeological resources or any other previously unknown historic properties on the Line's right-of-way.

- (8) A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic waste), and the surrounding terrain.**

ELS has no records of, and is unaware of, any known subsurface ground disturbance or fill, or environmental conditions that might affect the recovery of archeological resources. Various track work and/or construction has occurred over the many years that the Line has been in operation. Such work may have affected the potential for recovery of archeological resources.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 1 – LOCATION MAP



ESCANABA & LAKE SUPERIOR RAILROAD COMPANY

One Larkin Plaza, Wells, MI 49894
(906) 786-0693 / FAX (906) 786-8012

MICHIGAN

Escanaba CN
Iron Mountain CN
North Escanaba CN

CONNECTIONS

WISCONSIN

Green Bay CN
Marinette CN
Pembine CN

E&LS
E&LS TRackage RIGHTS
E&LS ABANDONED
MDOT RAIL BANKED LINE
OTHER LINES
OTHER LINES ABANDONED OR OUT OF SERVICE

347 Miles Owned

82 Miles Additional Trackage Rights

Wells and Channing

Miles	Stations
0.0	Wells, MI
4.0	Escanaba, MI
0.0	Wells, MI
1.5	Flatrock, MI
0.0	Flatrock, MI
1.0	North Escanaba, MI
0.0	Flatrock, MI
2.0	Groos, MI
10.0	Chandler, MI
13.5	Cornell, MI
18.0	Woodlawn, MI
26.0	Watson, MI
29.5	Mashek, MI
36.0	Northland, MI
38.5	Alfred, MI
46.5	Ralph, MI
49.0	Sund, MI
52.5	Turner, MI
63.5	Channing, MI

Channing and Ontonagon

Miles	Stations
0.0	Channing, MI
4.1	Kierman, MI
7.8	Kelso, MI
13.1	Mitchell Spur, MI
15.5	Balsam, MI
16.8	Spur 247, MI
20.1	Amasa, MI
21.5	Triangle Spur, MI
33.2	Park Siding, MI
39.2	Tunis, MI
45.6	Sidnaw, MI
56.6	Frost, MI
65.9	Port, MI
67.9	Rousseau, MI
70.2	Wasas, MI
72.8	McKeevar, MI
73.5	Mass, MI
80.8	Rockland, MI
92.4	Ontonagon, MI

Channing and Green Bay

Miles	Stations
0.0	Channing, MI
3.7	Sagola, MI
10.8	Randville, MI
11.9	Groveland Jct., MI
16.6	Merriman, MI
24.1	Iron Mountain, MI
24.8	Kingsford, MI
37.9	Pembine, MI
40.8	McConnell Landing, WI
42.8	Beecher Lake, WI
47.1	Amberg, WI
56.9	Wausaukee, WI
67.2	Cruvitz, WI
73.9	Beaver, WI
76.8	Pound, WI
78.9	Pound, WI
86.7	Lena, WI
91.4	Stiles Jct., WI
98.6	Abrams, WI
113.5	Howard, WI
113.7	Cormier, WI
117.5	Green Bay, WI
118.1	Green Bay, WI

Channing and Republic

Miles	Stations
0.0	Channing, MI
3.9	Savvyer Lake, MI
7.5	Floodwood, MI
11.6	Witch Lake, MI
21.8	Republic, MI

Cruvitz and Menominee

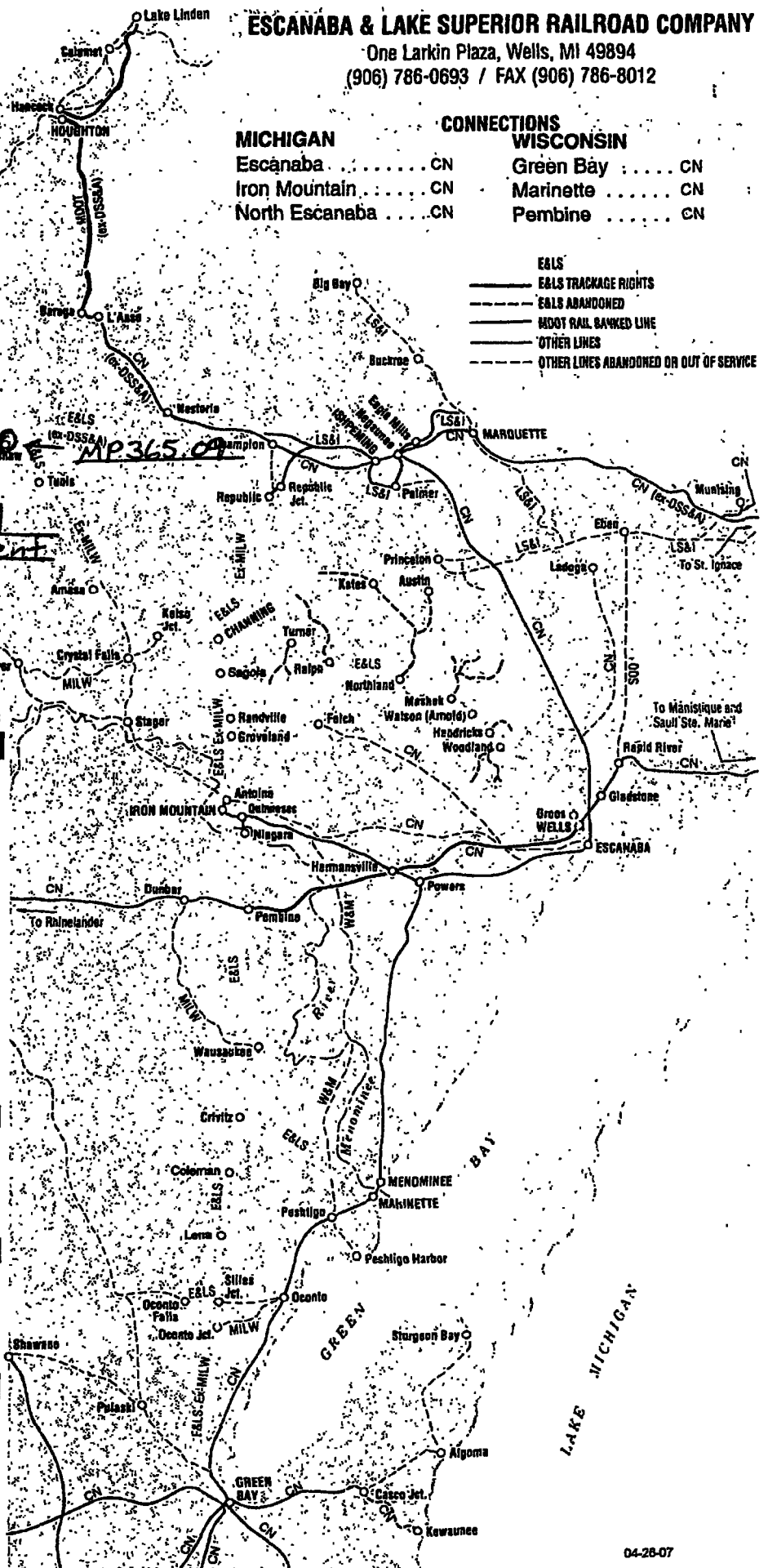
Miles	Stations
0.0	Cruvitz, WI
6.0	Loomis, WI
12.0	Porterfield, WI
20.2	Marinette, WI
22.3	Menominee, WI

Stiles Jct. and Oconto Falls

Miles	Stations
0.0	Stiles Junction, WI
4.7	Oconto Falls, WI

Sidnaw and Nestoria

Miles	Stations
197.1	Nastoria
211.2	Covington
214.5	Watton
220.0	Sidnaw



**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 2 – CONSULTATION LETTERS

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS
2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037
TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Sir or Madam:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

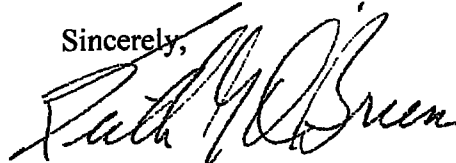
We are providing you with a copy of this Report so that you may review the information that will form the basis for the STB's independent environmental analysis in this proceeding. If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis ("SEA"), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423-0001; TEL: (202) 245-0295, and refer to STB Docket No. AB-415 (Sub-No. 2X).

Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Michigan Public Service Commission
March 4, 2010
Page Two

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith G. O'Brien", written over a horizontal line.

Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS
2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037
TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Rebecca Humphries, Director
Department of National Resources & Environment
P.O. Box 30473-7973
Lansing, MI 48909

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for
Exemption - Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Director Humphries:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

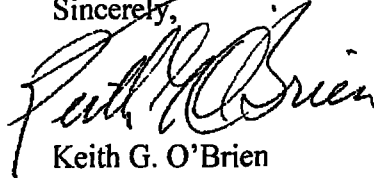
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Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Rebecca Humphries, Director
March 4, 2010
Page Two

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Ontonagon County Courthouse
Judy Herbert Roehm-Clerk/Register of Deeds
725 Greenland Road
Ontonagon, MI 49953

RE: *Escanaba & Lake Superior Railroad Company -- Abandonment Petition for
Exemption -- Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Ms. Herbert Roehm:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

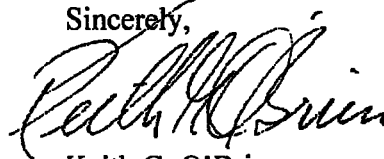
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Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Judy Herbert Roehm-Clerk/Register of Deeds
March 4, 2010
Page Two

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE NW

SUITE 300

WASHINGTON, DC 20037

TELEPHONE (202) 663-7820

FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Village of Ontonagon
Scott Frazer, President
315 Quartz Street
Ontonagon, MI 49953

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No. AB-415 (Sub-No. 2X)

Dear President Frazier:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

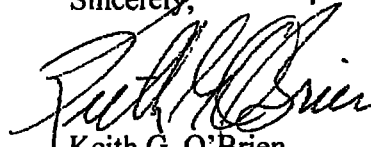
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Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Scott Frazer, President
March 4, 2010
Page Two

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,



Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS
2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Houghton County Courthouse
Mary Schoos-County Clerk/Register of Deeds
401 E. Houghton Ave.
Houghton, MI 49931

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No.
AB-415 (Sub-No. 2X)

Dear Ms. Schoos:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

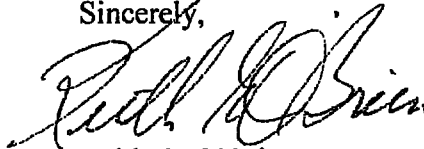
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Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Mary Schoos-County Clerk/Register of Deeds
March 4, 2010
Page Two

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Sincerely,

A handwritten signature in black ink, appearing to read "Keith G. O'Brien", written in a cursive style.

Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

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KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Bharat Mathur, Acting Regional Administrator
Region 5 – US Environmental Protection Agency
77 West Jackson Boulevard
Mailcode: C-14J
Chicago, IL 60604

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Acting Regional Administrator Mathur:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company (“ELS”) expects to file with the Surface Transportation Board (“STB”) a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the “Line”). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the “Report”) describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

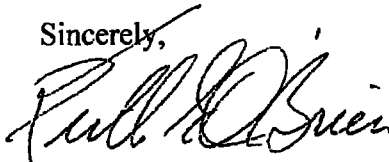
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Bharat Mathur, Acting Regional Administrator
March 4, 2010
Page Two

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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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2401 PENNSYLVANIA AVENUE, NW
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TELEPHONE (202) 663-7820
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KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Michael Berman
Region 5 – US Environmental Protection Agency
Office of Regional Counsel
77 West Jackson Boulevard
Mailcode: R-19J
Chicago, IL 60604

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No.
AB-415 (Sub-No. 2X)

Dear Mr. Berman:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company (“ELS”) expects to file with the Surface Transportation Board (“STB”) a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the “Line”). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the “Report”) describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

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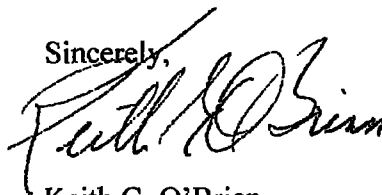
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Michael Berman
March 4, 2010
Page Two

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Sincerely,

A handwritten signature in black ink, appearing to read "Keith G. O'Brien", written over the word "Sincerely,".

Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
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WASHINGTON, DC 20037

TELEPHONE (202) 663-7620
FACSIMILE (202) 663 7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Ecological Services
US Fish & Wildlife Service / ES
One Federal Drive, Room 630
BHW Federal Building
Fort Snelling, MN 55111

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Sir or Madam:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

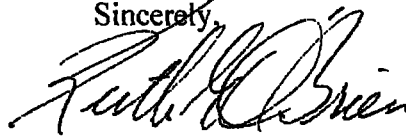
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Ecological Services, US Fish & Wildlife Service / ES
March 4, 2010
Page Two

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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Chief Engineer
U.S. Army Corps of Engineers
Grand Haven Office
307 South Harbor Street
Grand Haven, MI 49417

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for
Exemption - Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Chief Engineer:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

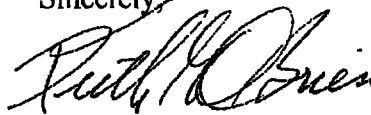
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Chief Engineer, U.S. Army Corps of Engineers
March 4, 2010
Page Two

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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Charlie Stockman
Rivers, Trails and Conservation Assistance Program
National Park Service
RTCA Program
1201 Eye St., NW, 9th Floor (Org Code 2240)
Washington, DC 20005

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No.
AB-415 (Sub-No. 2X)

Dear Mr. Stockman:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company (“ELS”) expects to file with the Surface Transportation Board (“STB”) a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the “Line”). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the “Report”) describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

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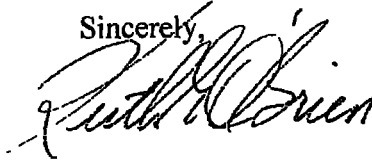
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Charlie Stockman
March 4, 2010
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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

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2401 PENNSYLVANIA AVENUE, NW
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WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

US National Park Service
Midwest Region
Regional Director Ernie Quintana
601 Riverfront Drive
Omaha, NE 68102-4226

RE: *Escanaba & Lake Superior Railroad Company -- Abandonment Petition for
Exemption -- Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Regional Director Quintana:

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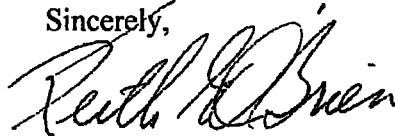
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Regional Director Ernie Quintana
March 4, 2010
Page Two

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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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TELEPHONE (202) 663 7820
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KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Dave White, Acting Chief
USDA, NRCS, Office of the Chief
1400 Independence Ave., SW, Room 5105-A
Washington, DC 20250

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Acting Chief White:

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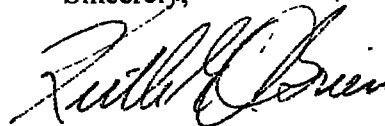
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Dave White, Acting Chief
March 4, 2010
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Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

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TELEPHONE (202) 663-7820

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KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

National Geodetic Survey
NGS Information Services, NOAA, N/NGS12
National Geodetic Survey SSMC-3, #9202
1315 East-West Highway
Silver Spring, MD 20910-3282

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

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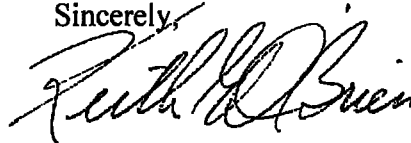
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National Geodetic Survey
March 4, 2010
Page Two

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KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Brian D. Conway, State Historic Preservation Officer
Department of History, Arts, and Libraries
702 W. Kalamazoo St.
PO Box 30740
Lansing, MI 48909-8240

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No.
AB-415 (Sub-No. 2X)

Dear Mr. Conway:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

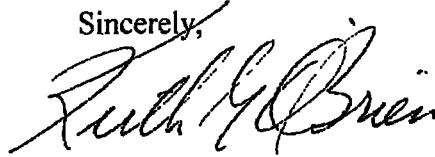
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Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

Brian D. Conway, State Historic Preservation Officer
March 4, 2010
Page Two

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith G. O'Brien", written in a cursive style.

Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663 7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

David Dorfman
SDDC TEA
Railroads for National Defense
709 Ward Dr., Bldg. 1990
Scott AFB, IL 62225

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Mr. Dorfman:

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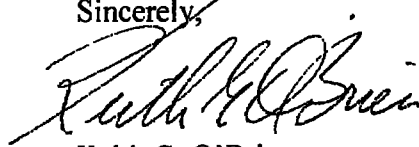
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David Dorfman
March 4, 2010
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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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395 E Street, SW
Washington, DC 20423-0001

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TELEPHONE (202) 663-7820

FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Western Upper Peninsula Planning & Development Region
Kim Stoker-Executive Director
PO Box 365
Houghton, MI 49931

RE: *Escanaba & Lake Superior Railroad Company -- Abandonment Petition for Exemption --
Line in Ontonagon and Houghton Counties, MI*, STB Docket No. AB-415 (Sub-No. 2X)

Dear Executive Director Stoker:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

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Based on the location of the Line, it is our understanding that no portion of the line segment proposed to be abandoned is within 1,000 feet of the Lake Superior shoreline in Ontonagon County, and thus, it is our understanding that no portion of the Line traverses a designated coastal zone area. Nevertheless, out of an abundance of caution and pursuant to the requirements of 16 U.S.C. 1451 *et seq.*, and 49 CFR 1105.9, we are contacting you on this issue.

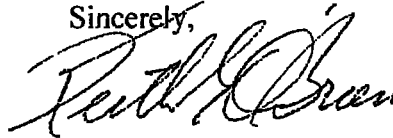
Kim Stoker-Executive Director
March 4, 2010
Page Two

We believe that the proposed abandonment would be consistent with the state coastal zone management plan (if applicable here). Your input on this matter would be very much appreciated.

Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,



Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Chris Antieau
antieauc@michigan.gov
Michigan Department Natural Resources & Environment
Constitution Hall
P.O. Box 30458
Lansing, MI 48909

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for Exemption -
Line in Ontonagon and Houghton Counties, MI*, STB Docket No. AB-415 (Sub-No. 2X)

Dear Mr. Antieau:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

We are providing you with a copy of this Report so that you may review the information that will form the basis for the STB's independent environmental analysis in this proceeding. If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis ("SEA"), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423-0001; TEL: (202) 245-0295, and refer to STB Docket No. AB-415 (Sub-No. 2X).

Based on the location of the Line, it is our understanding that no portion of the line segment proposed to be abandoned is within 1,000 feet of the Lake Superior shoreline in Ontonagon County, and thus, it is our understanding that no portion of the Line traverses a

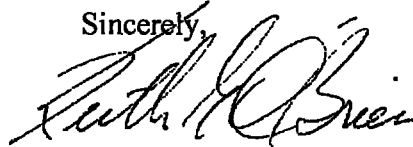
Chris Antieau
March 4, 2010
Page Two

designated coastal zone area. Nevertheless, out of an abundance of caution and pursuant to the requirements of 16 U.S.C. 1451 *et seq.*, and 49 CFR 1105.9, we are contacting you on this issue. We believe that the proposed abandonment would be consistent with the state coastal zone management plan (if applicable here). Your input on this matter would be very much appreciated.

Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to the SEA (at the address provided above) along with a copy to ELS's representatives (at the address provided below) would be appreciated within three weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,



Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

cc: Section of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

John Pelkola, Chair of Commissioners
Ontonagon County, MI
725 Greenland Road
Ontonagon, MI 49953

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Chairman Pelkola:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

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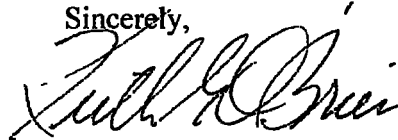
John Pelkola, Chair of Commissioners

March 4, 2010

Page Two

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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Paul Luoma, Chairman
Board of Commissioners
401 E. Houghton Ave.
Houghton, MI 49931

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI*, STB Docket No.
AB-415 (Sub-No. 2X)

Dear Chairman Luoma:

On or about March 24, 2010, Escanaba & Lake Superior Railroad Company ("ELS") expects to file with the Surface Transportation Board ("STB") a Petition for Exemption pursuant to 49 CFR 1152.60, Subpart G, for ELS to abandon approximately 42.93 miles of railroad track located in Ontonagon and Houghton Counties, Michigan, running from milepost 408.2 at Ontonagon to milepost 365.09 (the "Line"). The Line traverses United States Postal Zip Codes 49948, 49953, and 49961. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

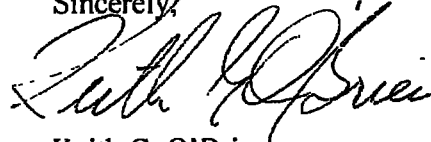
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Paul Luoma, Chairman
March 4, 2010
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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Robert W. Kehres, Director of Regulatory Affairs Division
Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909

RE: *Escanaba & Lake Superior Railroad Company – Abandonment Petition for
Exemption – Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Director Kehres:

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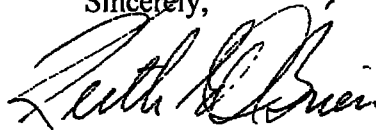
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Robert W. Kehres, Director of Regulatory Affairs Division
March 4, 2010
Page Two

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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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WASHINGTON, DC 20037

TELEPHONE (202) 663 7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663 7852 (Direct Dial)

March 4, 2010

Thomas L. Tidwell, Chief
Forest Service
U.S. Department of Agriculture
Sidney R. Yates Federal Building
201 14th Street SW
Washington, DC 20024

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for
Exemption - Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Chief Tidwell:

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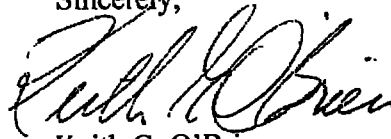
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Thomas L. Tidwell, Chief
March 4, 2010
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Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

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WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
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KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

March 4, 2010

Southeast Michigan Council of Governments
Richard Pfaff
1900 Edison Plaza
660 Plaza Drive, Suite 1900
Detroit, MI 48226

RE: *Escanaba & Lake Superior Railroad Company - Abandonment Petition for
Exemption - Line in Ontonagon and Houghton Counties, MI, STB Docket No.
AB-415 (Sub-No. 2X)*

Dear Mr. Pfaff:

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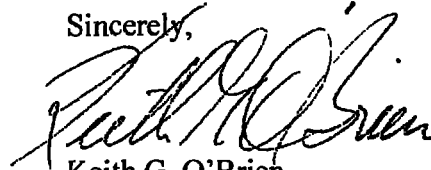
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Richard Pfaff
March 4, 2010
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Sincerely,



Keith G. O'Brien

Counsel for Escanaba & Lake Superior
Railroad Company

Enclosures

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Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

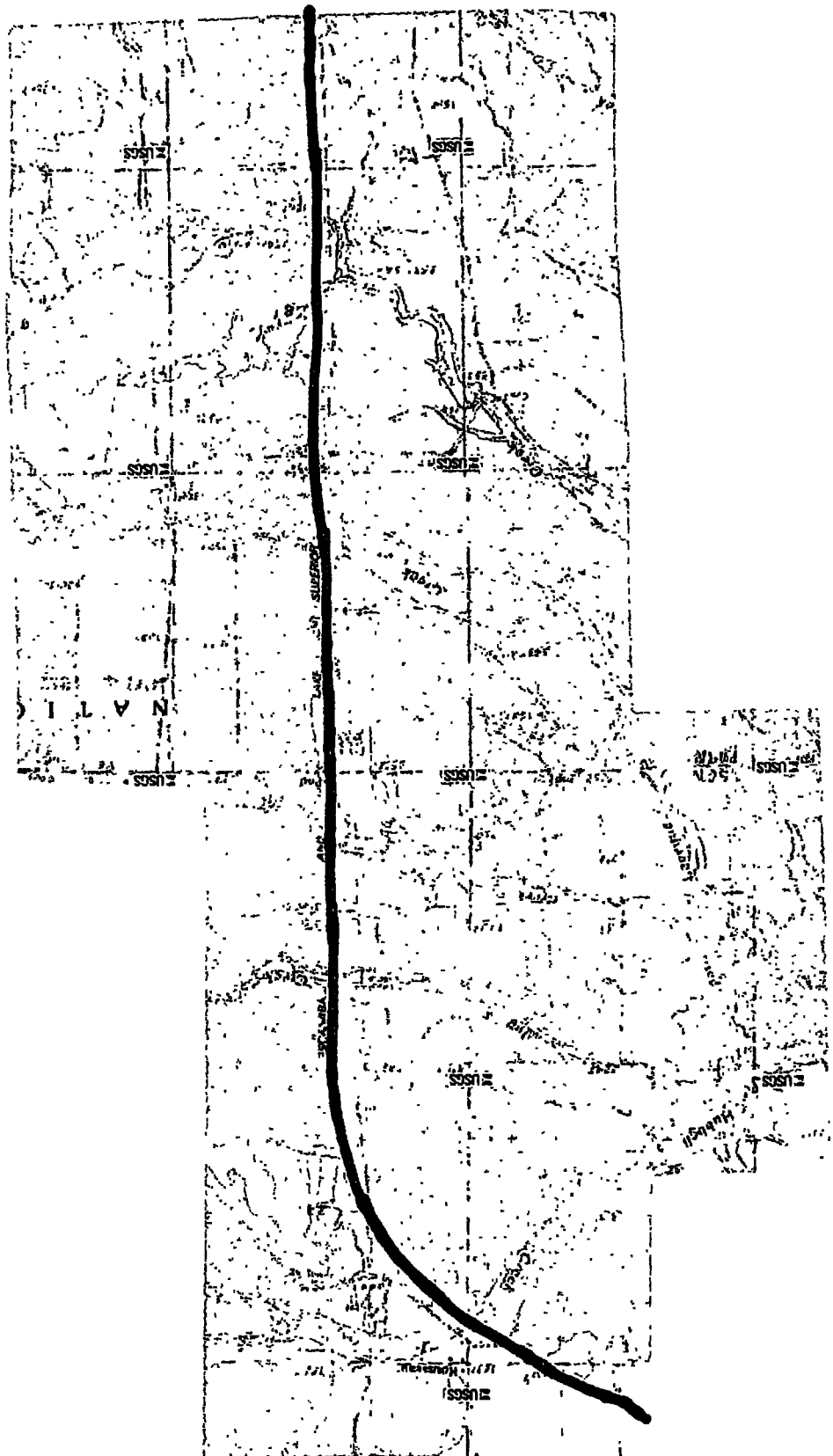
STB Docket No. AB-415 (Sub-No. 2X)

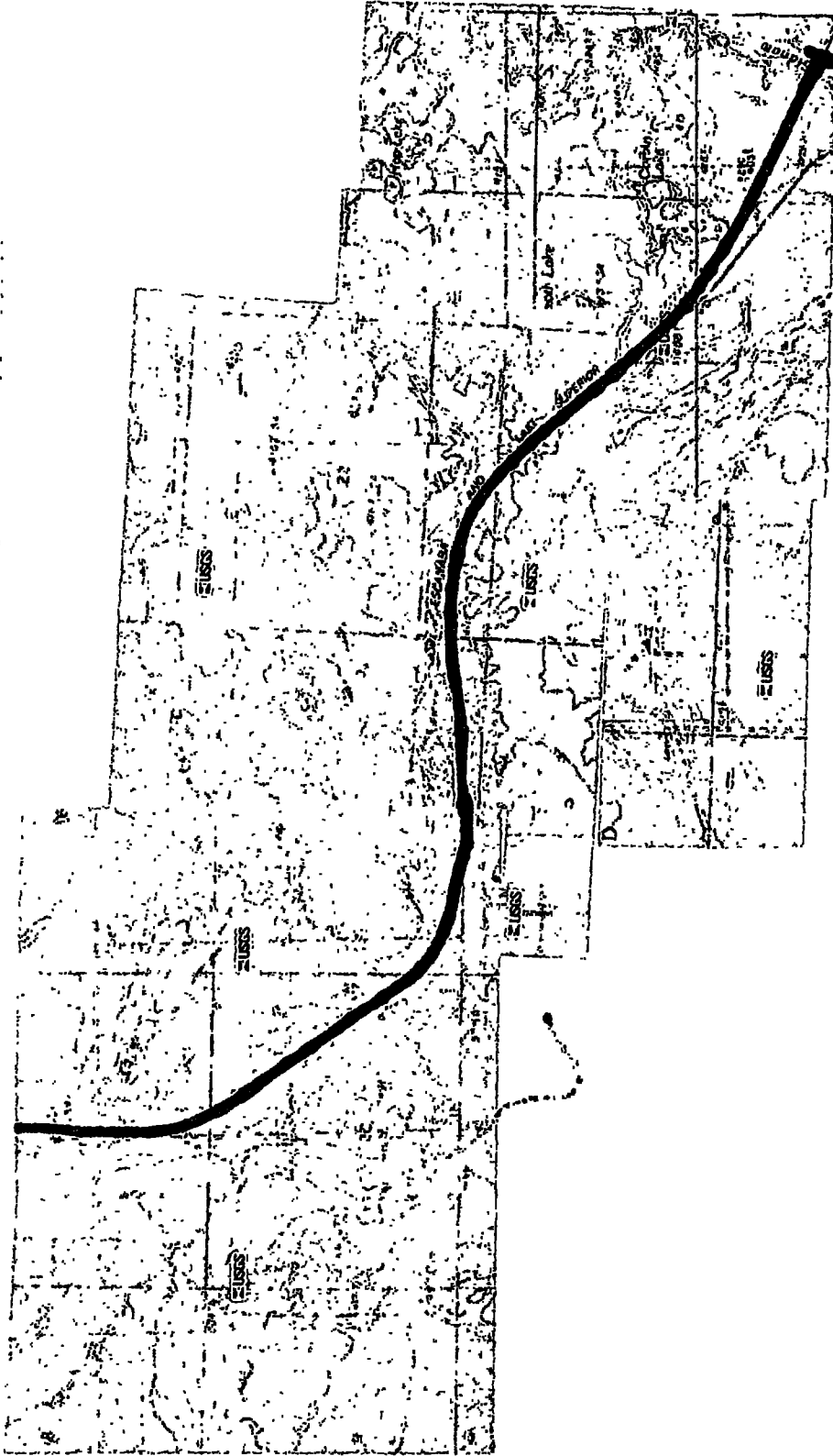
**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 3 – U.S.G.S TOPOGRAPHIC MAPS AND WATER CROSSING MAP

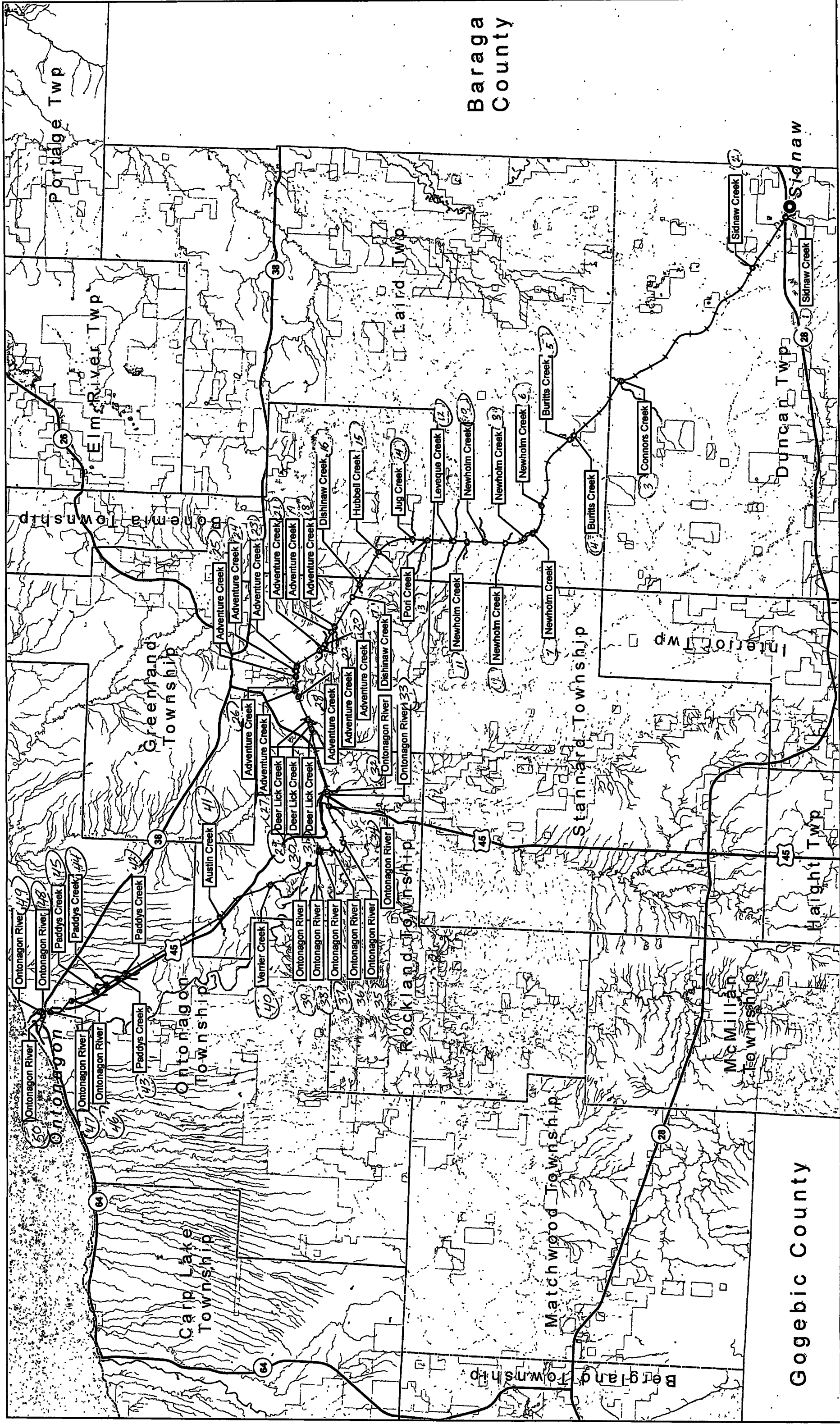






Water Crossings Between Ontonagon & Sidnaw

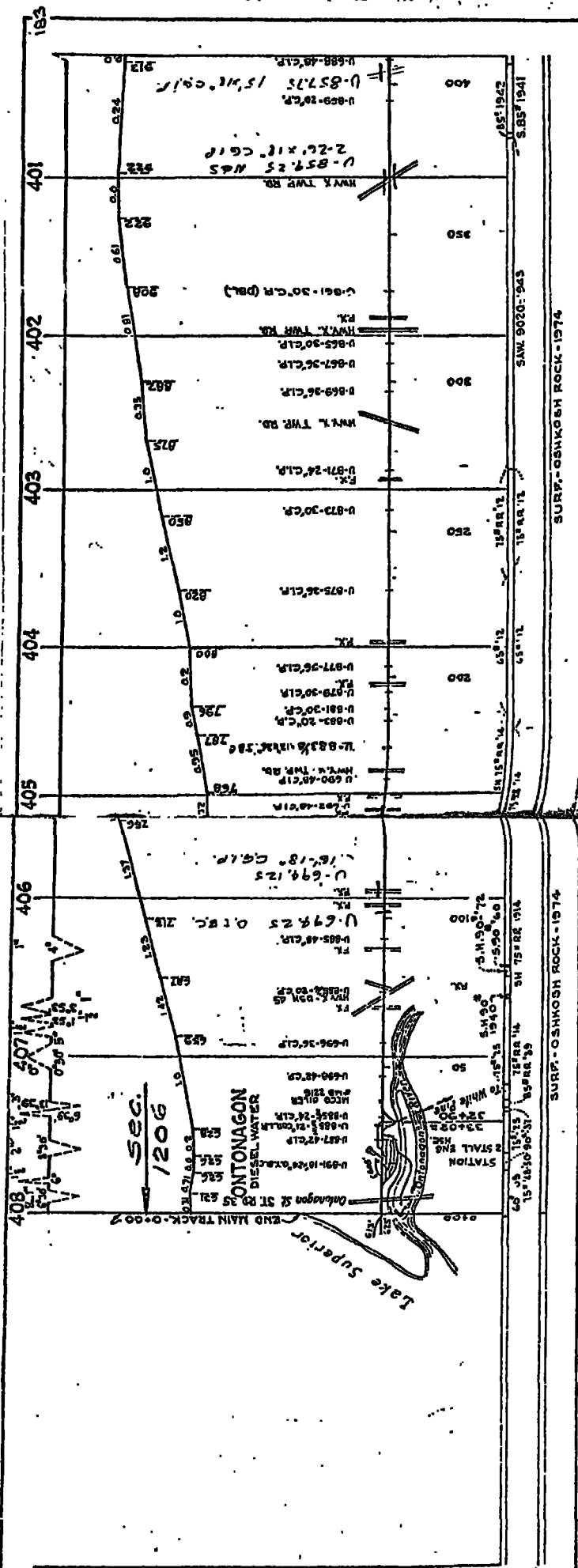
	<u>MP</u>	<u>Creek/River Name</u>	<u>Culvert Number</u>
1	MP 363	Sidnaw Creek	U703
2	MP 365	Sidnaw Creek	U707
3	MP 371	Conners Creek	U715
4	MP 374.5	Buritts Creek	U652
5	MP 374.8	Buritts Creek	U725
6	MP 376.0	Newholm Creek	U654
7	MP 376.8	Newholm Creek	U731
8	MP 377	Newholm Creek	U735
9	MP 377.9	Newholm Creek	U737
10	MP 378.5	Newholm Creek	U739
11	MP 379.0	Newholm Creek	U741
12	MP 379.5	Leveque Creek	U658
13	MP 381.3	Pori Creek	U662
14	MP 382.5	Jug Creek	U664
15	MP 383.3	Hubbull Creek	U751
16	MP 384.7	Dishinaw Creek	U763
17	MP 385.0	Dishinaw Creek	U767
18	MP 386.1	Adventure Creek	U773
19	MP 386.9	Adventure Creek	U775
20	MP 387.5	Adventure Creek	U778.5
21	MP 387.9	Adventure Creek	U778.5
22	MP 388.0	Adventure Creek	U670
23	MP 388.4	Adventure Creek	U781
24	MP 388.5	Adventure Creek	U781.5
25	MP 388.6	Adventure Creek	U783
26	MP 388.8	Adventure Creek	U797
27	MP 388.8	Adventure Creek	U799
28	MP 389	Adventure Creek	U785
29	MP 391.1	Deer Lick Creek	U807
30	MP 391.2	Deer Lick Creek	U808
31	MP 391.3	Deer Lick Creek	U811
32	MP 394.0	Ontonagon River	U821
33	MP 394.1	Ontonagon River	U823
34	MP 394.6	Ontonagon River	U825
35	MP 395.0	Ontonagon River	U676
36	MP 395.3	Ontonagon River	U833
37	MP 395.9	Ontonagon River	U680
38	MP 396.0	Ontonagon River	U682
39	MP 396.5	Ontonagon River	U833
40	MP 397.8	Verrier Creek	U845
41	MP 401.0	Austin Creek	U858
42	MP 403.5	Paddys Creek	U873
43	MP 403.7	Paddys Creek	U878
44	MP 404.1	Paddys Creek	U879
45	MP 404.6	Paddys Creek	U885
46	MP 407.0	Ontonagon River	U885
47	MP 407.8	Ontonagon River	U696
48	MP 407.9	Ontonagon River	U1800A
49	MP 407.95	Ontonagon River	U1800B
50	MP 408	Ontonagon River	U1800C

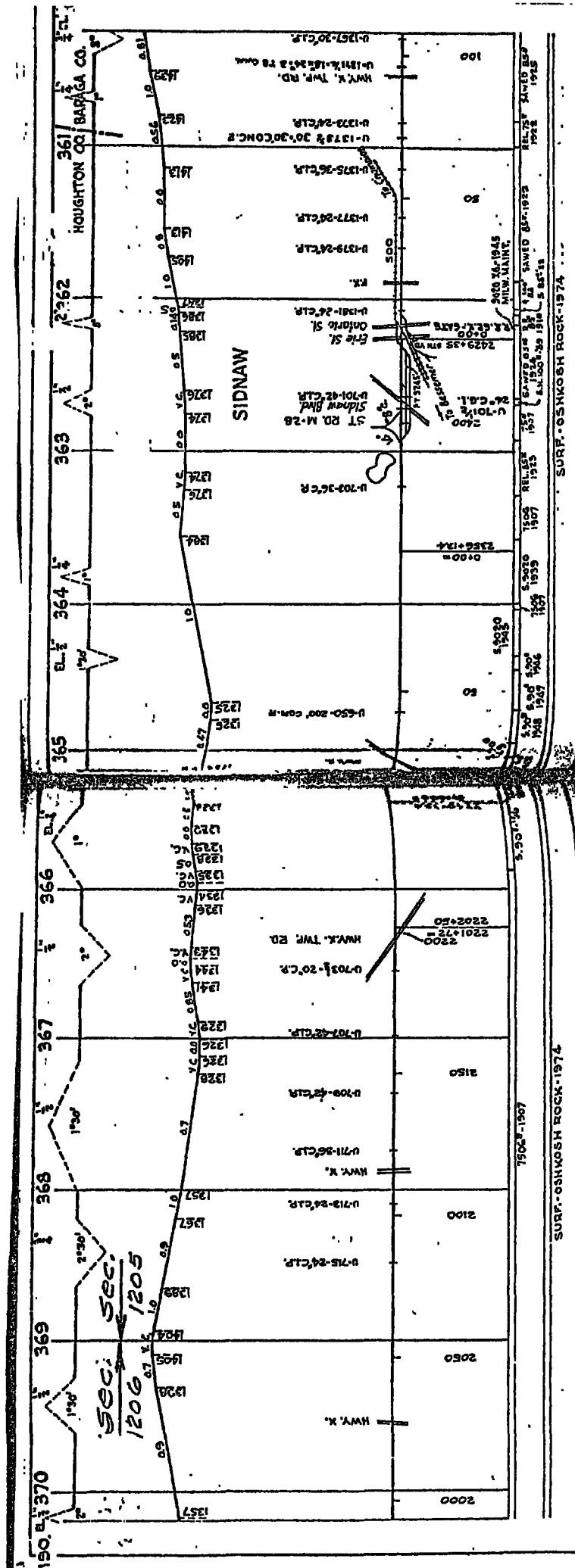


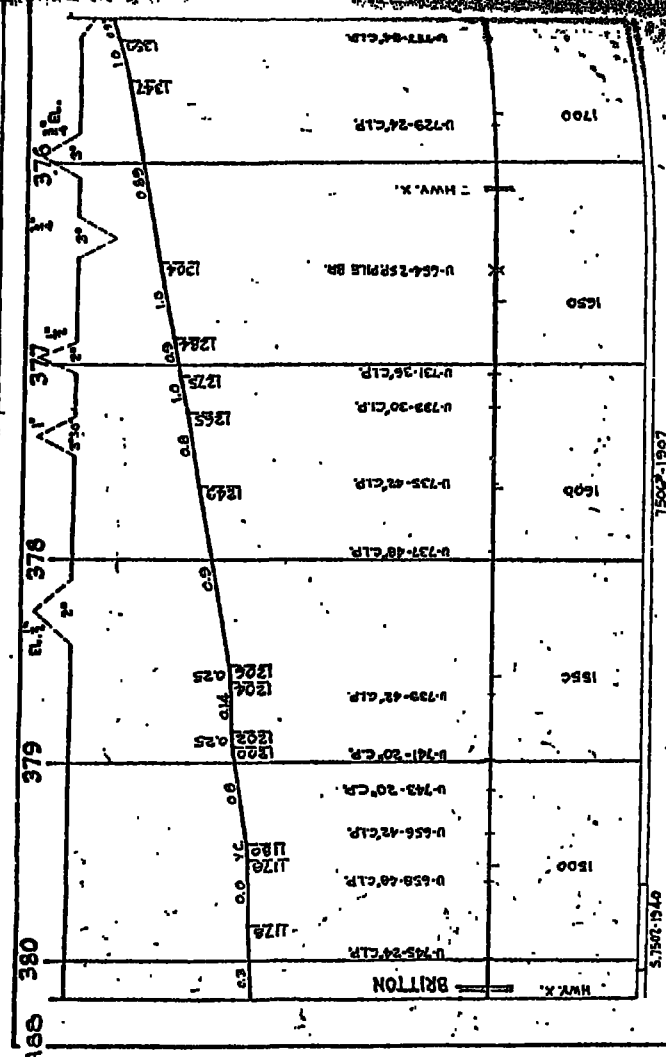
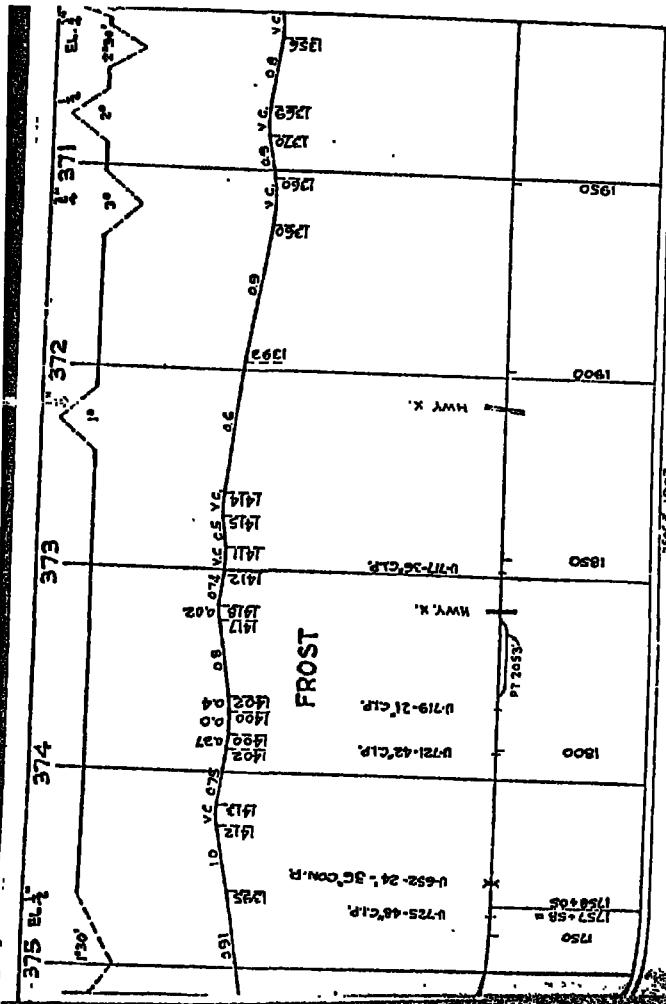
Escanaba & Lake Superior Railroad Water Crossings

Ontonagon to Sidnaw







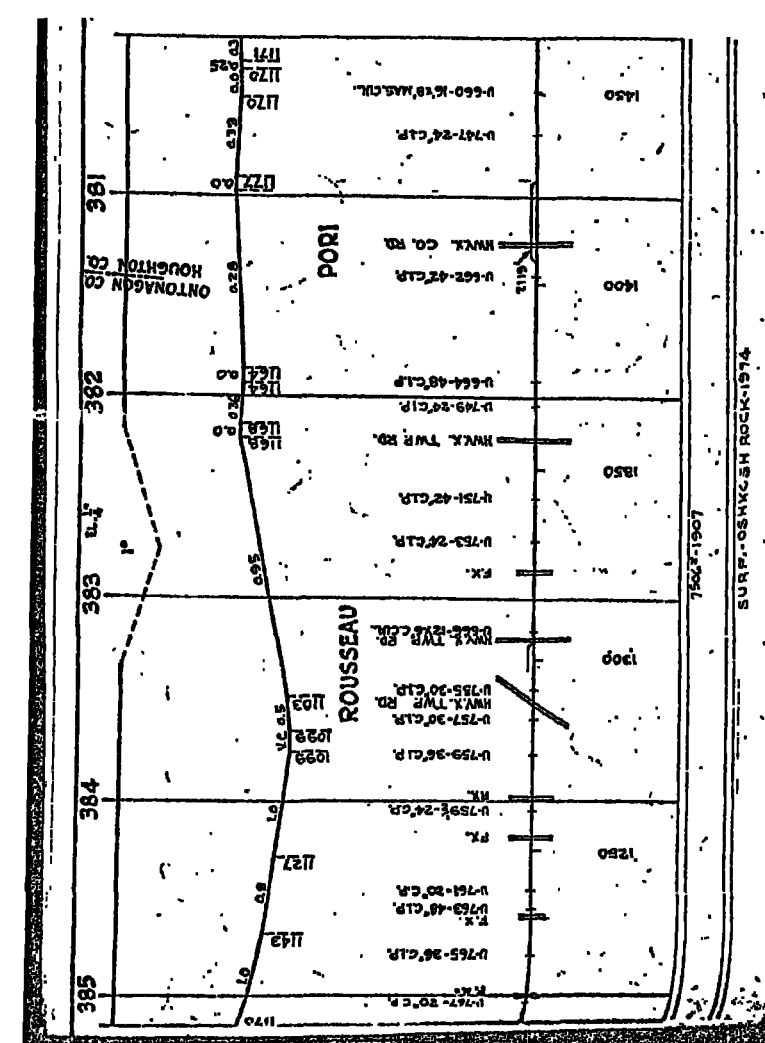
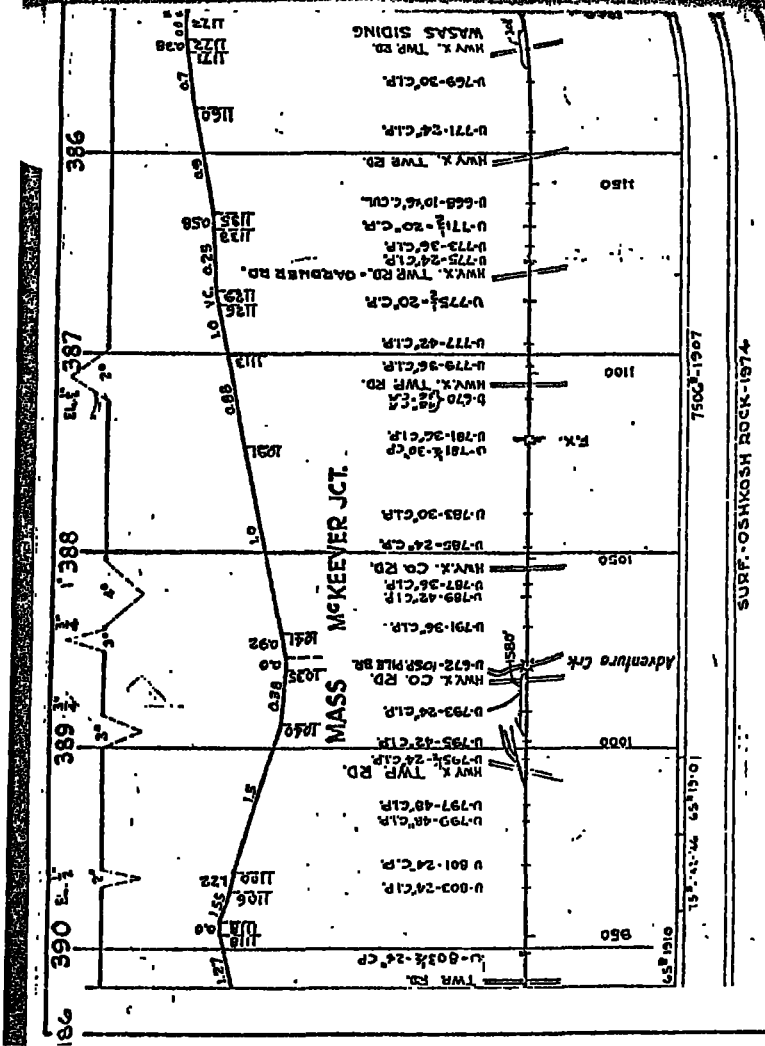


SURF - OSKOSH ROAD - 1974

1500' 1907

1500' 1907

1500' 1907



**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 4 – COLOR PHOTOGRAPHS (STRUCTURES)

[TO BE SUPPLIED AT A LATER DATE]

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXHIBIT C

DRAFT FEDERAL REGISTER NOTICE

Draft Federal Register Notice

STB Docket No. AB-415 (Sub-No. 2X)

Escanaba & Lake Superior Railroad Company
– Abandonment Exemption –
Line in Ontonagon and Houghton Counties, MI

Notice of Petition for Exemption to Abandon Rail Line

On April 9, 2010, the Escanaba & Lake Superior Railroad Company (ELS), filed with the Surface Transportation Board (Board) a petition under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 10903 to abandon approximately 42.93 miles of rail line in Ontonagon and Houghton Counties, MI, extending between milepost 408.02 at Ontonagon, and milepost 365.09 at Sidnaw. The line traverses through U.S. Postal Service Zip Codes Territories 49948, 49953 and 49961, and includes the stations of Ontonagon at milepost 408.0, Mass at milepost 388.8, Rockland at milepost 396.1, Rosseau at milepost 383.2, Pori at milepost 381.2 and Frost at milepost 373.1.

ELS states that the line does contain federally granted rights-of-way. Any documentation in the possession of ELS will be made available promptly to those requesting it.

The interest of railroad employees will be protected by the conditions set forth in Oregon Short Line R. Co.-Abandonment-Goshen, 360 I.C.C. 91 (1979).

Any offer of financial assistance (“OFA”) under 49 CFR 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption. Each OFA must be accompanied by a \$1,500 filing fee. See 49 CFR 1002.2(f)(25).

All interested persons should be aware that, following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 CFR 1152.28 or for trail use/rail banking under 49 CFR 1152.29 will be due no later than (20 days after notice of filing of the petition for exemption is published in the Federal Register). Each trail request must be accompanied by a \$250 filing fee. See 49 CFR 1002.2(f)(27).

All filings in response to this notice must refer to STB Docket No. AB-415 (Sub-No. 2X), and, and must be served upon counsel for ELS: Keith G. O'Brien, Baker & Miller PLLC, 2401 Pennsylvania Ave., NW, Ste. 300, Washington, DC 20037.

Persons seeking further information concerning abandonment procedures may contact the Board's Office of Public Assistance, Governmental Affairs and Compliance at (202) 245-0238 or refer to the full abandonment or discontinuance regulations at 49 CFR part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis (SEA) at (202) 245-0305. Assistance for the hearing impaired is available through Federal Information Relay Service (FIRS) at 1-800-877-8339.

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by SEA will be served upon all parties of record and upon any agencies or other persons who commented during its presentation. Other interested persons may contact SEA to obtain a copy of the EA (or EIS). EAs in these abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA generally will be within 30 days of its service.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

**EXHIBIT D
CERTIFICATION OF COMPLIANCE**

Certification Of Compliance With 49 C.F.R. §§1105.7(c), 1105.11, 1105.12 and 1152.60(d)

I hereby certify that Escanaba & Lake Superior Railroad Company ("ELS") has sent copies of its consolidated Environmental and Historic Report associated with its proposed rail line abandonment in Ontonagon and Houghton Counties, MI, to each of the agencies at 49 CFR 1105.7(b) at least 20 days prior to the filing of this petition for exemption with the Surface Transportation Board. (See attached copies of transmittal letters as part of Exhibit B.) I further certify that ELS has published in newspapers of general circulation in the counties in which the affected line lies a notice that alerts the public to the proposed abandonment, to available reuse alternatives, and to how the public may participate in the STB proceeding. (See attached proof of newspaper publication.) I also certify that copies of the foregoing petition for exemption have been sent on this date to the entities specified in 49 CFR 1152.50(d), as required by 49 CFR 1152.60(d), with the notation in the petition that "based on information in our possession, the line does contain federally granted right-of-way. Any documentation in ELS's possession will be made available promptly to those requesting it." Finally, I certify that a copy of this petition has also been served upon representatives of all active shippers on the affected line.

R. G. Wimbish
Robert A. Wimbish

April 9, 2010
Date

IN THE MATTER OF NOTICE OF INTENT TO ABANDON RAIL SERVICE STB DOCKET NO. AB-415 (SUB-NO. 2X)

STATE OF MICHIGAN

STATE OF MICHIGAN

COUNTY OF HOUGHTON SS

YVONNE ROBILLARD

Being first duly sworn, says that he/she is the agent of the Publisher of The Daily Mining Gazette, a newspaper published in the English language for the dissemination of local or transmitted news and intelligence of a general character and legal news, which is a duly qualified newspaper, and that annexed hereto is a copy of a certain order taken from said newspaper in which the order was published on the following dates:

MARCH 15, 2010

DC 20423-0001 {See 49
CFR 1104.1(a) and
1104.3(a)}, and one copy
must be served on
petitioner's representa-
tive {See 49 CFR
1104.12(a)}. Questions
regarding offers of finan-
cial assistance, public
use or trails use may be
directed to the Board's
Office of Public Assis-
tance, Governmental Af-
fairs, and Compliance at
202-245-0230. Copies
of any comments or re-
quests for conditions
must also be served on
the petitioners' representa-
tive.
Keith G. O'Brien
Baker & Miller PLLC
2401 Pennsylvania Ave.
N.W.
#300
Washington, DC 20037

<p>LEGAL ADVERTISEMENT March 15, 2010</p> <p>NOTICE OF INTENT TO ABANDON RAIL SERVICE</p> <p>STB DOCKET NO. AB-415 (SUB-NO. 2X)</p>	<p>2010, it intends to file with the Surface Transportation Board, Washington, DC 20423-0001, a petition for exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10903, et seq., permitting ELS to abandon a 42.93-mile line of railroad between railroad milepost 408.2 at Ontonagon, and milepost 365.09 at Sidnaw, in Ontonagon and Houghton Counties, MI, within United States Postal Service ZIP Codes 49948, 49953 and 49961. The proceeding will be docketed as STB Docket No. AB-415 (SUB-NO. 2X).</p> <p>The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petition for abandonment and comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding</p> <p>environmental matters by writing to SEA, Surface Transportation Board, Washington, DC 20423-0001 or by calling SEA at 202-445-0295. Appropriate offers of financial assistance must be filed directly with the Board's Chief of the Section of Administration, Office of Proceedings, 395 E. Street, SW, Washington, DC 20004.</p> <p>banking/trails use also can be filed with the Board. An original and ten (10) copies of any pleading that raises matters other than environmental issues (such as rail use, public use, and offers of financial assistance) must be filed directly with the Board's Chief of the Section of Administration, Office of Proceedings, 395 E. Street, SW, Washington, DC 20004.</p>
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Yvonne Robillard
Agent of the Publisher of the Daily Mining Gazette

Subscribed and sworn before me this 26th

Day of March A.D., 2010

Catherine O'Connell Ricci
Notary Public, Houghton County, Michigan

Acting in and for the County of Houghton Michigan

CATHERINE O'CONNELL RICCI
NOTARY PUBLIC, STATE OF MI
COUNTY OF HOUGHTON
MY COMMISSION EXPIRES:
AUGUST 10, 2012

THE UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT, WASHINGTON, D. C.

OFFICE OF THE ASSISTANT SECRETARY

FOR LAND MANAGEMENT, WASHINGTON, D. C.



WASHINGTON, D. C.

LEGAL

MARCH 17, 2010 NOTICE OF INTENT TO ABANDON RAIL SERVICE STB DOCKET NO. AB-415 (SUB-NO. 2X)

Escanaba & Lake Superior Railroad Company (ELS) gives notice that, on or after March 24, 2010, it intends to file with the Surface Transportation Board, Washington, DC 20423-0001, a petition for exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10903, *et seq.*, permitting ELS to abandon a 42.93-mile line of railroad between railroad milepost 408.2 at Ontonagon, and milepost 365.09 at Sidnaw, in Ontonagon and Houghton Counties, MI, within United States Postal Service ZIP Codes 49948, 49953, and 49961. The proceeding will be docketed as STB Docket No. AB-415 (Sub-No. 2X).

The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petitions for abandonment and discontinuance. Comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to SEA, Surface Transportation Board, Washington, DC 20423-0001 or by calling SEA at 202-245-0295.

Appropriate offers of financial assistance to continue rail service can be filed with the Board. Requests for environmental conditions, public use conditions, or rail banking/trails use also can be filed with the Board. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the Board's Chief of the Section of Administration, Office of Proceedings, 395 E Street, SW, Washington, DC 20423-0001 [See 49 CFR 1104.1(a) and 1104.3(a)], and one copy must be served on petitioner's representative [See 49 CFR 1104.12(a)]. Questions regarding offers of financial assistance, public use or trails use may be directed to the Board's Office of Public Assistance, Governmental Affairs, and Compliance at 202-245-0230. Copies of any comments or requests for conditions must also be served on the petitioners' representative: Keith G. O'Brien, Baker & Miller PLLC, 2401 Pennsylvania Ave., NW, #300, Washington, DC 20037.

AFFIDAVIT OF PUBLICATION

STATE OF MICHIGAN)
) SS.
COUNTY OF ONTONAGON)

Maureen Guzek being duly sworn, deposes and says that she is the Editor of THE ONTONAGON HERALD and in charge thereof, a public newspaper printed, published and circulating in the County of Ontonagon, and that she knows well of her own knowledge the facts herein stated; that the notice, of which the annexed is a true copy, was published in the said newspaper, once in each week for 1 successive weeks, and that the dates of the publication were as follows:

3-17-2010

Barbara J. Kilmer Maureen Guzek, Editor
The Ontonagon Herald

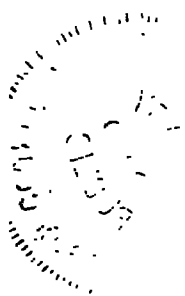
Subscribed and sworn to before me this 31st day of
MARCH, A.D. 2010.



Barbara J. Kilmer, Notary Public
Ontonagon County, Michigan
Acting in Ontonagon County, MI
My Commission Expires: 09-21-2010



Cheryl Olson
Cheryl Olson, Notary Public
Ontonagon County, Michigan
Acting in Ontonagon County, MI
My Commission Expires: 02-16-2012



**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXHIBIT E

VERIFIED STATEMENT OF THOMAS J. KLIMEK

VERIFIED STATEMENT OF THOMAS J. KLIMEK

My name is Thomas J. Klimek, and I am the vice president, marketing for Escanaba & Lake Superior Railroad Company (“ELS”), a Class III or “short line” railroad operating in the Upper Peninsula of Michigan (the “U.P.”) and in northern Wisconsin. I operate out of two ELS offices as follows: (1) ELS’s general offices in Wells, MI, One Larkin Plaza, Wells, MI, 49894; and (2) ELS’s Green Bay office at 529 S. Jefferson Street, Suite 108, Green Bay, WI 54301. I earned my BS degree in urban analysis/transportation from the University of Wisconsin – Green Bay in 1973. From 1973-76, I served as a transportation planner for the Tri-County Regional Planning Commission in Peoria, IL, and then served in the same capacity with the Bay-Lake Regional Planning Commission in Green Bay, WI from 1976-84. In 1984, I began my career with ELS, serving first as the manager of Green Bay operations, and then, as of 2002, as the railroads vice president of marketing.

As my title indicates, I am responsible for marketing ELS services to existing and potential shippers, but as is sometimes befalls officers of short line railroads, it has also become a chief responsibility of mine at the moment to oversee the development of ELS’s petition for exemption to abandon a rail line – in this case a 42.93-mile section of its rail system extending between Sidnaw (milepost 365.09) and the end of the line at Ontonagon (milepost 408.02) (the “Line”). I am quite familiar with the Line, its physical condition, its current traffic levels, and its near-term and long-term traffic prospects; and I am also familiar with the relative costs associated with maintaining and operating this Line. I am also familiar with the competitive dynamics of operating a short line railroad in the Upper Great Lakes region of the U.S.

The purposes of my verified statement in support of the proposed abandonment are to –
(1) provide some historic and economic background surrounding ELS’s decision to abandon the

Line; (2) provide some cost analysis to show why continued operation of the Line is unquestionably not in ELS's economic interest; (3) discuss ELS's efforts to work with remaining on-Line shippers to avoid unnecessary operating losses; (4) provide evidence of the ready availability of effective and highly competitive transportation alternatives to present and would-be future shippers; and (5) to touch upon ELS's procurement of an estimate of the Line's net salvage value (which I understand could be an important factor in the analysis of our abandonment petition).

I want to make clear at the outset that ELS has chosen to request Surface Transportation Board ("STB") authority to abandon the Line only as a matter of last resort and out of economic necessity. As background, ELS began operating the Line in 1980. The largest shipper on the Line since we have been operating it had been Smurfit-Stone Container Corporation ("Smurfit"), which had owned and operated a paper Mill (the "Mill") located at the Line's northern terminus at Ontonagon. This Mill (which was built in the 1920s) produced medium-grade corrugated paper for use in making cardboard boxes. Traffic to and from the Mill moved via three modes of transportation – trucks, rail, and water.

Until February of 2009, ELS had a contract with Smurfit for rail transportation of finished product. The contract guaranteed a minimum revenue stream for ELS, and, in turn, ELS guaranteed a minimum three-day-per-week service to the Mill.

In November of 2008, Smurfit informed us that the Mill would be closed from November 24, 2008, through January 2, 2009, due to the ongoing economic downturn. Until that announcement, ELS was not aware of any plans to close the Mill, so the announcement came as a surprise to us, although we soon thereafter began to suspect that the announcement could potentially signal an "end game" toward Smurfit's permanent closure of the Mill.

Soon thereafter, Smurfit announced that the Mill would remain inactive through the end of January 2009. On January 26, 2009, Smurfit filed for Chapter 11 bankruptcy protection.

From December 2008 through February 2009, ELS received no funds from the Smurfit under the then-existing transportation contract. The Mill remained closed until June 12, 2009, and, of course, ELS was not called upon to serve the Mill and thus earned no revenue from Smurfit.

Smurfit briefly reopened the Mill from June 18, 2009, until September 19, 2009.

However, despite offering a comprehensive proposal for rail service to the Mill that included competitive boxcar rates and intermodal service to Green Bay, Smurfit declined to avail itself of ELS's rail service offers, and it did not use ELS rail service at any time during that thirteen week period. Instead, all inbound and outbound shipments were handled by truck. In fact, based on carload origination data, I suspect, but cannot prove, that Smurfit may have begun to use truck transportation for an increasing amount of its outbound product beginning in 2006, well before the initial suspension of Mill operations. To the best of my knowledge, no further activity occurred at the Mill after September 19, 2009. On December 14, 2009, Smurfit announced the permanent closure of the Ontonagon Mill along with another Smurfit mill at Missoula, MT.

I believe that ELS was as surprised as were the local communities of Smurfit's decision to permanently close the Mill. This was not a development that we had anticipated, nor one that we were prepared for. Like the community of Ontonagon, we have had to adjust to the sudden and harsh new realities of the Mill's permanent closure.

At this point, I see no realistic prospects that the Mill might be reopened. As is the case with the community of Ontonagon, the Mill has meant much to the success of ELS, and, like Ontonagon, as soon as it became clear that the future of the Mill was in serious question, ELS began to inquire about whether the Mill might be conveyed to another company, and then be

reopened. It is quite naturally in ELS's best interests for the Line to possess a going concern value and contribute to the overall health of the railroad, and so any arrangement in the near term that would replace Smurfit with another Mill operator that would make use of ELS's services as Smurfit had would be of great importance.

As we began to investigate the possibility that another operator could be attracted to the Mill, we confronted the following factors, many of which we suspected to be the case or were already aware of:

- The Mill, built in the 1920s, is an older paper mill facility relative to new plants in the North America, and particularly when compared to plants in other parts of the world. Although we do not know all of the economics surrounding Mill operations, we have been informed that the Mill's age makes it a less appealing acquisition target for another paper manufacturer.
- The Mill produces only one product – medium-grade corrugated paper for use in making cardboard boxes. Due in large measure to the recent global recession, and continued depressed demand for consumer goods, demand for corrugated paper has fallen dramatically. My investigation indicates that there is currently an oversupply of corrugated paper in the market, which would undercut the prospect that an entity other than Smurfit would have any incentive to acquire the Mill and compete in such unfavorable market conditions. In addition, I understand that progressively more corrugated paper manufacturing is moving overseas, which further diminishes the market outlook for North American corrugated paper suppliers.
- Corrugated paper is a rather “generic” paper product, unlike other, more specialized types of paper, so the Ontonagon Mill does not have any appeal as serving a particular market niche. In fact, I have learned that, because the Smurfit mill in Missoula, MT – which was closed at about the same time as the Mill in Ontonagon – produces not only the same grade corrugated paper but also linerboard, its production diversity better positions the Missoula plant as a candidate for reopening under different ownership.
- Smurfit remains very involved in the corrugated paper market, and given decreased demand for this product and mounting overseas competition, it would not surprise me at all to know that Smurfit would resist any proposals to sell the Mill to a competitor that would only exert additional competitive pressure on remaining Smurfit facilities and output. I am aware of local efforts legally to force Smurfit's hand on this matter – although, at the same time, I am *unaware* of any specific candidate to actually buy the Mill – but I do not expect that such local efforts would yield fruit for quite some time, if they ever would.

- We have ourselves contacted other paper manufacturing companies and investors in such operations to gauge the level of interest in the Mill, and not one has been willing to commit to the purchase of the facility, assuming it could be purchased as a Mill operation in the first place. Although others in the area have periodically made vague references to interested buyers of the Mill, I am aware of no paper manufacturing concern that is serious in its pursuit of the Mill, and that is why I suspect that those who claim to know of a potential candidate cannot provide specifics.
- Even assuming that the North American corrugated paper market were to recover – a prospect that we do not think ever will happen – such a development could take years, and ELS simply does not have the resources to keep the Line in place to await such a possibility.

As further evidence that the Mill is heading toward permanent closure, Smurfit recently sold the Mill's coal stockpile. This coal, which had been delivered to the Mill by Great Lakes vessels, had been used to fuel Mill operations, but Smurfit has elected to liquidate the stockpile as part of the ultimate plant shutdown. ELS has been selected by the coal purchaser to transport this coal. Were there any plausible near-term prospect that Smurfit or another prospective operator would resume operations at the Mill, I strongly suspect that the coal stockpile would have remained in place.

To the best of my records and recollection, ELS never transported inbound coal to the Mill, due to the superior economics of water transportation for such a bulk commodity. In fact, in securing the contract to transport the stockpiled coal to a consumer in Green Bay, WI, ELS was aware of, and had to price its services to address, an effort by a water carrier to obtain this business. I estimate that the coal stockpile will account for about 500-530 carloads, all of which ELS will transport from Ontonagon to an interchange with Canadian National Railway at Green Bay, over 205 miles of ELS trackage, including the 42.93-mile Line we are seeking to abandon. We expect that these movements will commence in early April and will be completed by no later than the end of May of this year. Thereafter, I foresee no real possibility of any additional rail

shipments moving to or from the Mill. The coal movement represents to ELS another “nail in the coffin” both for the Mill and for our Ontonagon-Sidnaw Line, and it is clearly a one-time movement that should not obscure the economic realities that ELS faces.

Since December of 2009, ELS has explored the chances that an interested party would assume control of the Mill site for paper production or for some other industrial operation that might warrant retention of the Line. To the best of my knowledge, no serious candidates with financial resources have emerged. I suspect that the community of Ontonagon may oppose our abandonment efforts, and I could foresee scenarios under which the community would put forward a party alleging an interest in the Mill site for paper production or for some other industrial enterprise. However, both Ontonagon and any prospective users of the Mill site are by now well aware of the Line’s circumstances and of ELS’s preparations for seeking STB authority to abandon the Line, but no one has approached ELS to inquire about what sort of financial arrangements or future traffic commitments might be necessary to persuade ELS to suspend its ongoing abandonment effort. Moreover, no prospective shipper has come forward to discuss with us its strategy to acquire the property from Smurfit, especially when it appears to us that Smurfit lacks incentive to sell the Mill to a competing paper producer. Given our assessment of the situation at Ontonagon and ELS’s own financial situation, ELS cannot afford to speculate about whether a possible proposal for traffic might materialize. For these reasons, ELS would not suspend or terminate its abandonment efforts unless a financially bona fide entity contacted us to propose a satisfactory take-or-pay contract, some other agreement with up-front volume commitments, or binding commitment to an interim rail line subsidy.

In the mean time, ELS, in keeping with its own interests and, not coincidentally, those of the affected communities, has explored possible avenues for federal and/or state funding

assistance in the absence of a shipper commitment that would warrant ELS's continued retention of the Line as an inactive asset to avoid the need to liquidate the Line's assets. ELS has been unable to locate or obtain such a funding vehicle.

With the Mill closure, and the loss of all Mill-related traffic, which as recently as 2005 had accounted for as much as roughly 5,380 annual carloads and over 84% of the traffic on the Line, ELS has been faced with dealing with the minimal remaining carload traffic that originates on the Line, specifically, about 200-250 annual carloads of pulpwood, most of which originates at points along the Line south of Ontonagon. Unfortunately, I do not foresee any other traffic on the Line besides the traditional modest flow of pulpwood. Assuming that ELS were to continue its operations over the Line for the balance of 2010, ELS forecasts indicates that we will incur total operating losses after taxes and interest of \$82,783.00. Without the one-time coal traffic opportunity this year, ELS would face an operating net loss in 2010 comparable to the \$129,000 operating loss ELS incurred in operating the Line in 2009.

I understand that ELS will present a "forecast year" economic case in support of its petition to abandon the Line, and that in this case we will use 2011 as the forecast year point of reference. Using 2011 as a forecast year makes sense to me, because 2010 financial figures will distort the Line's actual economic prospects due to the one-time coal movement opportunity discussed above, and thus 2011 would more accurately reflect the Line's circumstances as did the Line's 2009 performance. I understand that an element of ELS's economic case involves the presentation of "avoidable costs" in the 2011 forecast year, which I also understand equate to the maintenance and operating costs that ELS would incur if obligated to continue operations on the Line that year. In this case, we can apply forecast year revenues (projected) against the

avoidable costs, to show that ELS would incur avoidable losses in operating the Line. I will discuss ELS's forecast year avoidable costs (and losses) immediately below.

I will first turn to forecast year track maintenance costs. In light of the serious decline in on-Line traffic, ELS has already begun significantly to scale back on track maintenance, and, at this point, we plan to undertake trackwork only as essential to keeping the Line in operating condition. Conservatively, I would estimate that ELS would commit approximately \$3,100 per track mile to keep the Line open in 2011, resulting in total avoidable Line maintenance costs for that year of \$133,083.00. As a quick view of our system map would indicate, ELS operates through some rugged and heavily forested terrain in the U.P., where severe weather is not uncommon. My \$3,100 estimate does not, in my opinion, fully account for the types of operating contingencies that can and do arise in our operating territory. For example, ELS's actual operating costs in any given year can be increased significantly by such events as excessive snow accumulation, fallen trees across the tracks, and beaver dams that local beavers sometimes construct near or adjacent to stream culverts that threaten either or both the integrity of the culvert, embankment, or bridge as well as the flooding of a portion of the Line.

Even if ELS were fortunate enough to avoid such contingencies in 2011, ELS cannot sustain track maintenance on the Line at such low levels indefinitely. At \$3,100 per track mile, ELS would be engaging in what I would call "controlled deferred maintenance" on the Line, such that the Line would experience sustained deterioration over time. In the longer term, however, ELS would have to ramp up its per-track-mile maintenance costs on the Line over the floor estimate of \$3,100 just to keep the Line in operating condition. In fact, I would estimate that, sustained maintenance of the Line based on a \$3,100 per track mile budget ultimately would require ELS to incur rehabilitation costs to restore the Line to minimal FRA Class I conditions.

I will now discuss forecast year operating costs. To compute operating costs associated with the Line, I assumed that ELS would continue with its current practice of using an ELS crew based in Channing, MI (milepost 315.3) to operate a once-weekly Channing-Ontonagon-Channing turn. When the turn operates all the way to Ontonagon (milepost 408.02), this local will have to make a roughly 185-mile round trip from Channing and back. This 12-hour turn would also undertake as-needed work for customers south of Sidnaw. Today, ELS bases a northbound turn crew at Channing – the northernmost active terminal on our system – which operates twice per week towards Sidnaw, and, roughly once per week also to points north of Sidnaw (along the Line). We do not have any crews or locomotives based at Sidnaw. I estimate that, if required to operate the Line in 2011, ELS would continue operating a twice-weekly “Channing North” local that would operate north of Sidnaw on a once-per-week basis. (On the other day, the Channing North local would run only as far as Sidnaw.) When operating north of Sidnaw, our experience is that the Channing North local requires about 6 hours to switch customers on the Line.

On such days as the Channing North local operates north of Sidnaw, we expect that the local crew usually will require a full 12 hours to complete all work and return to Channing, as mentioned above. During seasons in which ELS encounters snow or an accumulation of wet leaves on the rail (affecting locomotive wheel adhesion), it will often be the case that the North Channing local operating north of Sidnaw will not be able to complete all of its work in 12 hours. I estimate that this will occur roughly 19 weeks out of 52 – December through March (when snow is present along the line) and for two weeks in the fall months (when when leaves will accumulate on the rails). On these 19 trips, ELS will have to re-crew the Channing North local (most likely at Sidnaw), which will increase two-man crew costs by an additional six hours,

which accounts for a fresh crew reporting for duty at Channing and being shuttled up to Sidnaw to relieve the crew whose hours of service have expired

Based on once-per-week operations on the Line via the existing Channing North local, my forecast year operating cost assumptions are as follows:

1. Locomotive fuel costs. Using one locomotive, I estimate that the Channing North local would consume roughly 312 gallons of fuel in a six-hour time span (the usual time span we have allotted for local switching on the Line). Assuming future diesel fuel costs of \$2.90 per gallon, total annual fuel costs for once weekly operations on the line would be \$47,049.60.
2. Locomotive servicing costs. As is typical of many short line railroads, ELS operates locomotives that tend to be older than the industry average, and, as a consequence, our locomotive fleet requires more care and servicing than a younger fleet would. I would very conservatively estimate that, of all of the locomotive servicing costs for Channing-based locomotives (including such costs as mechanic crew time, sand, lube oil, filters, and miscellaneous locomotive replacement parts), between \$10,000 and \$14,000 of these annual costs could safely be allocated to Sidnaw-Ontonagon operations in the forecast year. However, for the purposes of this statement, I will adopt the lower figure of \$10,000 per year for locomotive servicing costs.
3. Crew costs. Factoring in an overhead adjustment, I estimate that an ELS two-man crew costs the railroad approximately \$87.00 per hour. I also estimate that, on those occasions when a fresh crew will be needed to return the train to Channing, ELS will incur crew shuttle costs (taxi service) of \$30/hour, with a five-hour shuttle round trip. Crew costs are estimated to be as follows:

- | | |
|---|-------------|
| ○ 12-hour Channing North local operations (no re-crew):
(6 hours on Line)X(\$87.00/hour)X(33 weekly trips) | \$17,226.00 |
| ○ Re-crewed Channing North local operations:
[(6 hours on Line+6 hours relief crew)X(\$87.00/hour)X
(19 weekly trips)] + [(5 hours crew shuttle service)X
(\$30/hour)X(19 weekly trips)] | \$39,402.00 |
| ○ Total crew costs (\$17,226.00 + \$39,402.00) | \$56,628.00 |

Combining locomotive fuel costs of \$47,049.60 and locomotive servicing costs of \$10,000 with total crew costs of \$56,628.00 results in total forecast year operating costs of \$113,677.60.

Combining total forecast year operating costs of \$113,677.60 with total forecast year track maintenance costs of \$133,083.00 results in total forecast year avoidable costs in operating the Line of \$246,760.60.

Assuming that ELS were forced to continue operations into 2011, and assuming further that all of the current on-Line shippers of pulpwood continued to originate pulpwood on the Line (rather than agreeing to relocate loading operations to points at or to the south of Sidnaw), then ELS could anticipate, at best, to handle 250 carloads on the Line in the forecast year. (Personally, I do not believe that it is terribly realistic to use a 250 carload figure for the forecast year – I believe that it is more reasonable to project maximum carloadings of between 200 and 240.) This pulpwood traffic would generate system-wide revenues of roughly \$460 per carload. For the sake of this proceeding, I will attribute all revenues to the Line, in which case, ELS's "best case" revenue estimate for the forecast year would be \$115,000.

Subtracting forecast year avoidable costs of \$246,760.60 from forecast year revenues of \$115,000.00, ELS is left with total avoidable forecast year losses of \$131,760.60.

As the foregoing analysis reflects, ELS can ill afford to continue its operations on the 43-mile Line simply to handle the roughly 200-250 pulpwood carloads that I expect would be the only traffic to move over the line in the forecast year of 2011. Accordingly, I am currently working with all of the affected pulpwood shippers – Louisiana-Pacific Corporation ("L-P"), Sappi Paper ("Sappi"), Domtar Industries ("Domtar"), Lakeshore Forest Products ("Lakeshore"), and Thilmany Paper ("Thilmany") – to persuade each to shift its pulpwood transloading operations to a site or sites in or to the south of Sidnaw. In fact, ELS is currently in the process of expanding facilities in Sidnaw to allow for expanded pulpwood loadings there. I am

optimistic about these negotiations, and am hopeful that all of the affected pulpwood shippers will agree voluntarily to relocate their pulpwood loading operations.

If for any reason we are not able after a reasonable interval to persuade all of the affected pulpwood shippers voluntarily to relocate their respective loading operations to Sidnaw or to other mutually acceptable facilities elsewhere on the ELS system, then I am afraid that ELS will have to take further action to avoid operating losses on the Line. I expect that we would be forced to refuse to provide common carrier service for pulpwood loadings north of Sidnaw, and I am sure that we would implement such a policy no later than the beginning of 2011. I have been advised by counsel that, because pulpwood (STCC code 24-114-10) is an “exempt commodity” under the STB’s rules, ELS can, absent revocation of the exemption, exercise such self-help. Of course, in the interests of our long-term relationships with our shippers we would far prefer not to be forced into such action. ELS has worked hard to establish good working relationships with its shippers, including the Pulpwood Shippers, and we would far prefer to arrive at a mutually acceptable alternative arrangement than force the issue.

At this point, it is worth mentioning the transportation dynamics in the U.P., and discussing the transportation alternatives available to communities along the Line if or when the Line is abandoned. As mentioned above, the only traffic that we foresee remaining on the Line – indeed the only traffic now, aside from the one-time coal movement this year – is pulpwood, an “exempt commodity.” I have been informed by counsel that pulpwood has been designated as an “exempt commodity” because other modes of transportation effectively preclude railroads from exerting unfair market power over pulpwood shippers, and that regulation of rail carrier’s conduct relative to pulpwood transportation is not necessary when, as is the case here, the market can effectively regulate itself. In the case of pulpwood, I cannot agree more with the STB’s

judgment. In my experience, pulpwood traffic is intensely truck-competitive, especially in the U.P., and our rail rates have had to constantly account for the shippers' trucking alternatives to ensure that we do not lose business.

Thanks to higher truck weight standards and allowances in Michigan (compared to those, for example, in neighboring Wisconsin), roughly 1.67 truckloads of pulpwood equate to 1 rail car load. The average pulpwood truckload in Michigan is about 21 cords (depending upon the relative weight of the wood species carried), compared to roughly 35 cords for the average railroad flatcar load. Also, virtually all pulpwood originates in forests that may be many miles removed from a rail loading location, and thus harvested timber (pulpwood) in almost every case must begin its journey by truck, even if it is ultimately transferred to a rail car. In my experience, however, pulpwood can and does move entirely by truck, especially given the relatively short hauls that are often involved. Locally-harvested pulpwood can also easily be trucked to rail transloading points on other railroads if ELS's rates or service are not considered advantageous to the shipper. For these reasons, ELS works very hard to secure the pulpwood business that it has, works hard to cultivate its relationship with forest products shippers generally, and, regardless of economic circumstances and the revenue needs of the railroad, ELS does not have the latitude to increase rates on such traffic without seeing it go elsewhere.

Not only do pulpwood shippers have adequate transportation alternatives already available to them (although we hope to persuade them not to use those alternatives in this case by attracting on-Line pulpwood shippers to transloading points at or to the south of Sidnaw), but so would any future operator of the Mill, assuming that it were ever again to reopen (as unlikely as we are afraid that would be). As already mentioned, once Smurfit re-opened the Mill last year following the onset of Chapter 11 proceedings, ELS could not get Smurfit to return to its prior

use of rail service despite our best efforts. Rather, from that point until the Mill closed again for good, Smurfit opted to rely exclusively on trucks and water carriers for all of its inbound and outbound shipping needs. This development undercuts the argument that any future reopening of the Mill depends upon ready access to rail service. In fact, Ontonagon's location along Lake Superior (including its access to Great Lakes vessels) and its access to a solid Michigan highway system, complimented by the state's more generous truck weight regulations, means that, in my view, Ontonagon and the Mill will not be without viable transportation alternatives in the unlikely event that a major shipper were to re-emerge to assume operation of the Mill.

Because I have been advised that it is a matter of much importance for ELS's abandonment, ELS has procured the services of Anthony H. Jewell of Indus-Rail Co. ("Indus-Rail") to provide a solidly defensible estimate of the net salvage value ("NSV") of the Line. The results of Indus-Rail's analysis are to be included with ELS's abandonment petition. While I will generally allow Indus-Rail's NSV estimate to speak for itself, I wish to stress that ELS believes that the Line's actual salvage value may be considerably higher than Indus-Rail's preliminary estimate reflects. For example, because ELS would be able to devote some of its own personnel to handle some of the track salvage activities, ELS may be able substantially to reduce total salvage costs below those included in Indus-Rail's preliminary NSV estimate. While I would accept Indus-Rail's estimate for purposes of obtaining STB permission to abandon the Line, I expect an opportunity to present a more detailed case for a higher NSV in the event that an interested party comes forward in an effort to acquire the Line through the STB's processes.

I wish to add that we anticipate that our decision to seek authority to abandon the Line may meet with resistance by some in the affected communities. While we appreciate that the

potential loss of rail service to Ontonagon is an unfortunate and undesirable collateral effect of the Mill's closure, ELS has taken action to seek authority to abandon the Line because we simply have no economic alternative. As I understand will be discussed to an extent in ELS's abandonment petition, since the closure of the Mill, ELS's revenues and net income have so declined that we have (admittedly) not been able to service some or our debt. We are now in default on certain of our debt obligations, and are facing litigation as a result. Were we able to find an economic alternative to abandonment that would keep ELS solvent, enable us to service our debt obligations, and maintain our economic health for the benefit of our remaining shippers as well as our loyal employees, then I am sure that ELS would embrace that alternative.

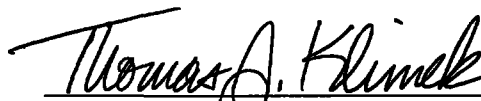
In short, we simply cannot afford to take a "wait-and-see" approach to our traffic situation on the Line in the distant hopes that the Mill will reopen or that a similar traffic opportunity will emerge. I understand that there are regulatory processes under which interested parties may arrange to subsidize operations on a rail line to forestall or to prevent a rail line abandonment, and ELS would be amenable to such arrangements (whether within a regulatory context or via private negotiations) if such a subsidy or other alternative arrangements were compensatory and economically practicable. But I have no reason to think that any such interested party, including the local communities, possesses such resources. Under these circumstances, it should be clear that ELS has no economic alternative but to seek authority to abandon the Line, and to urge prompt STB handling of our abandonment request.

Finally, I hereby verify that I am authorized on behalf of ELS to make this verified statement. I also verify under penalty of perjury that the foregoing statement is true and correct to the best of my knowledge, information, and belief. Finally, I hereby verify that I have read the abandonment petition for exemption that I am supporting by way of the foregoing testimony, and

that the facts contained in that petition are true and accurate as stated to the best of my knowledge, information, and belief.

[VERIFICATION]

Dated: April 8, 2010



Thomas J. Klimmek
Vice-President, Marketing
Escanaba & Lake Superior
Railroad Company

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-415 (Sub-No. 2X)

**ESCANABA & LAKE SUPERIOR RAILROAD COMPANY
– ABANDONMENT EXEMPTION –
LINE IN ONTONAGON AND HOUGHTON COUNTIES, MI**

PETITION FOR EXEMPTION

EXHIBIT F

VERIFIED STATEMENT OF ANTHONY H. JEWELL

VERIFIED STATEMENT OF TONY H. JEWELL

I am Anthony H. Jewell and I provide railroad related consulting services to government agencies, industrial firms, contractors and railroad organizations. My company, Indus-Rail Co., is located at 15 Birch Road, Shelburne Falls, MA 01370. My qualifications are detailed in Appendix A. I appear in this proceeding on behalf of Escanaba & Lake Superior Railroad Company ("ELS").

I have been requested to provide my independent assessment of the net liquidation value ("NLV") of track and material for a 42.93-mile line segment owned by ELS extending from Sidnaw to Ontonagon, MI. I understand that the line is before the Surface Transportation Board as a candidate for abandonment. I also understand that the line is currently in operable condition and that it is in fact operated regularly by ELS.

The request for my independent evaluation was received on fairly short notice, and I have not had the opportunity to personally inspect the line. I base my evaluation largely upon an inventory provided by Charles Anderson, a consultant to the railroad and a former employee of ELS, who is familiar with the line and its current condition. I am familiar with the current values for relay rail and reusable other track materials ("OTM") as well as prices for scrap steel and ties and costs of salvaging rail materials. As prices and cost can vary from region to region, I contacted Mr. George Holubar of Holubar Construction in Green Bay Wisconsin as to current values in the region. Holubar Construction Company is involved in track construction and removal in the area and is familiar with the line, having recently rebuilt seven state highway crossings on the line. I will explain the role of Mr. Holubar's input and advice in preparing the following NLV estimate for the line later in this verified statement.

My understanding of the track in place on the line is based on the above and is as follows:

Material in Place¹

Length of Track 42.93 miles. I have no figures for sidings, turnouts, and other trackage, and thus have conservatively omitted any valuations for such items, even though I highly suspect that such items do exist along this line.

Rail in place: 112 lb per yard (42.88 miles). For the purposes of this report, I am assuming 112 RE in 39 foot lengths. 115 lb. per yard (0.5 miles). For the purposes of this report, I am assuming 115 RE in 39 foot lengths.

¹ See Anderson Inventory Attachment B

Joint bars: four hole 24 inch

Tie plates: double shoulder 5.5 inch base

Spikes: 5/8 x 6 inch 2 per plate

Anchors: Undetermined

Ties: Mixed hardwoods on 21 inch spacing.

Quantities in Place:

Rail: 112 RE 197.64 tons per mile x 42.88 miles	8,474.80 tons
Rail: 115 RE 201.88 tons per mile x .05 mile	10.09 tons
Total tons rail	8,484.89 tons
Joint/Angle bars: ²	
112 RE 271 pairs per mile x 42.88	11,620 pairs
115 RE 271 pairs per mile x .05	13 pairs
Total Joint/Angle bars	11,633 pairs
Tie Plates: 5.5 inch base DS 2 plates x 129,526 ties	259,052 plates
Spikes: 2 spikes x 259,052 plates	518,104 spikes
518,104 spikes x .8 pound each	414,483 pounds
414,483 pounds / 2000lbs/ton	207.24 tons
Bolts: 4 bolts x 11,633 pairs of bars	46,532 bolts
46,532 bolts x 2.084 pounds each/2000lbs/ton	48.48 tons
Ties: 42.93 miles x 5280 feet/mile x 12"per foot/21" tie spacing	129,526 ties

Valuation of materials

Relay Steel

Rail: 8,484 tons x \$650.00/ton	\$5,514,600.00
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² Determined on the basis of 39 foot rail section

Joint bars: 11,633 pairs x \$15.50/pair	\$180,312.00
Tie plates: 259,052 plates x \$4.00/plate	\$1,036,208.00
Scrap Steel	
Spikes: 207.24 tons x \$320.00/ton	\$66,316.00
Bolts: 48.48 tons x \$320.00/ton	\$15,514.00
Ties	
Ties: 129,526 total ties – 45,334 scrap ties = 84,192 x \$10.00	\$841,918.00
Total Gross Value:	\$7,654,867.10

Costs of Salvaging

Based on 3/31/2010 statement of George Holubar for his company to take up this track:

Cost to take up track:	\$17,500.00/mile
Total cost: (42.93 miles x \$17,500.00/mile)	\$751,275.00
Cost to restore 38 public and 14 private crossings ³	\$202,796.00
Cost to dispose of scrap ties: (45,334 ties x \$4.00/tie)	\$181,336.00
Total Salvage Costs:	\$1,135,407.00

Net Liquidation Value

Total Value	\$7,654,868.00
Cost to remove track	\$1,135,407.00
NLV	\$6,519,497.00

Obviously, there are many potential variances here. Because I did not have the opportunity to physically inspect the line fact, a certain amount of the above factoring has to be based on conservative assumptions. For example, I have assumed that the rail on the line is (in very good condition per Holubar)_____, and have adjusted net ton prices to reflect this assumption. If the quality of the rail is actually better than I have

³ See Attachment C

assumed (which is quite possible), then the gross salvage value assumptions above are quite possibly understated. Among the factors to be considered is the volatility of the steel markets as they are driven by demand from China. Based on articles that I have read today, I would fully expect the value of steel to increase substantially in the near future.

I suspect that ELS could utilize its own workforce and equipment to accomplish at least part of the track removal, which would reduce overall salvage costs. Here again, my unfamiliarity with the capabilities of the carrier to perform this kind of work limits my ability to be precise.

As indicated above, I have omitted from my track valuation the value of any siding track and/or turnouts, because I was not supplied with an inventory that listed such items. Additional track materials such as turnouts, which given the rail section, could be worth up to \$5,000 each, would certainly affect the line value in a positive manner.

Another factor that bears consideration is what the rail and OTM is worth to the carrier.

112 RE is considered to be a good modern rail section. It matches up well with one of the industry favorite sections 115 RE. I have heard 112 RE referred to as the poor man's 115. According to George Holubar the rail on this branch is in good condition and in demand by short lines for main lines, branches, and yard tracks. If there was an on line need for this type of rail and OTM by the E&LS, it would be worth significantly more stockpiled for future use at Sidnaw than it would sold for relay to a rail supplier.

Regardless, without more information and given the paucity of time allotted to me to be more precise, I feel that I can categorically say the following:

The NLV of this trackage based on the quantities and related parameters provided is \$6,519,496.

This information is based on my understanding of the issues and extensive experience in the industry.

An important element of my understanding of this line for both salvage costs as well as the track material value is based on my conversations with George Holubar of Holubar Construction. Mr. Holubar has been the owner operator of this company since 1979 and appears to be well versed in the specialized railroad contractor trade as well as local market conditions. In fact, two critical elements of the foregoing NLV estimate rely on value and cost inputs from Mr. Holubar.


Specifically, I have conferred with Mr. Holubar on the issue of the local value of 112 and 115 pound relay rail – Mr. Holubar has advised me, based on his own familiarity with the line that the main line rail is of relay quality – and he has advised me that such rail has a

gross salvage value of \$650/net ton locally. This estimate is not inconsistent with my own track value assumptions, and so I have deferred in that case to Mr. Holubar's local expertise and have accepted his rail valuation for my purposes also.

In addition, I understand that Mr. Holubar's company provides many services, including track salvage. I have therefore consulted with Mr. Holubar, who, again, is familiar with ELS and the line in question, to determine what he would charge ELS to salvage the line. He has verbally expressed his willingness to undertake the line's track salvage for \$17,500/mile. I have accepted that figure for purposes of salvage costs, but have also included in my salvage cost estimate the cost to restore the 38 public and 14 private crossings, because I understand that Mr. Holubar's proposal may not have accounted for this step. I have also factored into my salvage costs assumptions the costs of disposal of scrap ties, because I presume that Mr. Holubar's track removal proposal does not cover such additional costs.

VERIFICATION

I, Anthony H. Jewell, verify under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.



Anthony H. Jewell

Executed on April 7, 2010

Anthony H. Jewell
P. O. B. 263
Shelburne Falls, MA 01370
413-625-6707 tonyj@crocker.com

Employment History

Consultant 1982 to present:
Indus-Rail Co.

Provide a wide range of advisory services to governmental, industrial, contractor, and railroad organizations. Typical services offered include:

- Freight feasibility studies
- Track inspections, net liquid valuations, maintenance programming
- Training for: Maintenance of Way, RWP, SOFA, Operations safety, and DOT Haz Mat, OSHA, MSHA
- Industrial rail facility design
- Marketing
- Operations analysis
- Project management
- Safety management
- Grant writing

Clients have included: Franklin Regional Council of Governments, Berkshire County, State of Vermont, State of New Hampshire, Commonwealth of Massachusetts, Quincy Bay Terminal Railroad, Mass Coastal Railroad, Naugatuck Railroad, Berkshire Scenic Railway, Edaville Railway, Green Mountain Railroad, New England Southern, Pioneer Valley Railroad, New Hampshire North Coast Railroad, Upper Hudson River Railroad, Mobil Chemical, Nova Chemical Corp, Solutia Corp., SAPPI Corp., Specialty Minerals, Mobil Corp., General Electric, Eastern Propane Corp, Asset Performance Management, and W. J. Riegel and Sons.

Safety Officer and Maintenance of Way Specialist 11/07 to 10/09
Mass Coastal Railroad

Key person for company safety and compliance issues. Provided all training related to RWP, FRA Drug and Alcohol, Track Safety Standards, SOFA, Hazardous Materials, TSA Advisories, Operational Testing, accident investigation. Performed compliance update functions, maintained company and employee files for FRA review.

Museum Founder and President 1991 to 2000
Shelburne Falls Trolley Museum

Established and oversaw a railroad/trolley museum. Wrote grants totaling \$300,000. Managed a successful restoration of an 1896 trolley car.

Owner Operator 1982-1988
Spurtrak

Created and operated regional railroad track contractor specializing in inspection, maintenance, and construction of industrial railroad tracks

State Railway Inspector 1977 to 1979
Commonwealth of Massachusetts, Department of Public Utilities

Oversaw safety of all railway and transit trackage in Massachusetts. Performed operations safety studies including investigations of derailments, grade crossing accidents, haz mat incidents, and collisions. Performed studies on operational changes, proposed new equipment, and rail service adequacy issues. Worked as Commonwealth/FRA interface. Performed legal research for rail regulatory hearings and participated in Department Hearings.

Marketing Vice-President, Supervisor of Track 1975-1977, 1979-1982
Massachusetts Central Railroad

Helped to establish a shortline railroad and to develop the initial marketing program for this successful railroad. Inspected and supervised all track maintenance and construction.

Education

University of Massachusetts, Amherst, MA. BA in Economics 1976
Dean Junior College, Franklin, MA A. S. 1967

Specialized Training:

CSX, AMTRAK, Pioneer Valley, RWP 2002-2010
MEMA Haz Mat 2001-2004
MEMA Incident Command System 2004
AAR DOT Haz Mat. 1993-1996
Consolidated Rail Corp. Transportation Management School 1979
USDOT FRA Transportation Safety Institute, Accident Investigation 1979
USDOT FRA Transportation Safety Institute. Track Safety Standards 1978
Canadian National Track Foreman School 1974
Canadian National Operations School 1973

Qualifications:

Roadway Worker Protection-CSX, Amtrak, Quincy Bay Terminal, Pioneer Valley, Naugatuck Railroad, Mass Coastal

Track Inspector-Quincy Bay Terminal Railroad, Upper Hudson River Railroad, Mass Coastal Railroad, Mass Central, Pioneer Valley Railroad, New England Southern

Haz Mat Employee-New Hampshire Central, Mass Coastal

Uniform Code of Operating Rules- CN/CV, Boston and Maine

NORAC Mass Coastal

Memberships

New England Railway Club

Barnstable Regional Emergency Planning Committee

Franklin County Local Emergency Planning Committee, Industrial Committee,

Transportation Advisory Group, Training Committee

References provided upon request

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Washington, D.C. 20037
(202) 663-7852 (Direct)
(202) 663-7849 (Fax)

March 31, 2010

Dear Sir:

As you have requested this writer is providing you with some costing information relative to the cost of removing highway crossings as part of the abandonment process for 42.93 miles of track by the Escanaba and Lake Superior Railroad in the State of Michigan.

It should be noted that I have observed none of these crossings and also am unfamiliar with Michigan laws and road contractor issues. The following is based on my experience as a railroad consultant working on similar projects in the northeast.

There are 48 public crossings and 14 private crossings. Although I have not been provided any details of the style, condition, width length etc of the crossings, for the sake of this report I am making the following assumptions:

Public crossings are single track, 30 feet in length with asphalt road surfaces and hardwood timber and or polypropylene flangeway and field side strips. Track construction is typical with 112RE rail, ties on 21 inch spacing, fully anchored, no joints, six inches of crushed stone ballast beneath the ties.

Private crossing are 15 feet in length with gravel road surface and hardwood plank flangeway. Track construction is typical with 112 RE rail, ties on 21 inch spacing, with and without joints, with six inches of crushed stone ballast.

Contemplated project work:

Public crossings:

Remove all track and road surface materials within roadway to a width of not more than 11 feet leaving stone ballast in place, and dispose as may be required.

Smooth and tamp remaining ballast with vibratory rollers.

Install six inches of crushed stone dust and compact with vibratory roller. 6 cubic yards

Install six inches of hot mix asphalt and vibratory roll to smooth grade. 6 cubic yards

Private crossings:

Remove all track and road surface materials within roadway to a width of not more than 11 feet leaving stone ballast in place, and dispose as may be required.

Backfill crossing with site available material and bucket tamp.

Cost Estimate**Public Crossings**

4 laborers \$25.00 per hour x 5 hours \$500.00

1 Vibratory roller \$250.00

1 Drott or similar excavator \$125.00 per hour x 8 \$1,000.00

1 Dump truck 75.00 per hour x 8 600.00

Material

Trap rock dust \$20.00 per ton x 6cy x 1.2 ton \$150.00

Asphalt \$150.00 per ton x 6 cy x 1.2 ton \$1,050.00

Contingency 10% \$355.00

Markup 25% \$976.00

Total price per public crossing for roadwork \$4,881.25

Private crossings

4 laborers \$25.00 per hour x 3hrs \$300.00

1 Case 580 backhoe 75.00 x 4 hours \$300.00

1 Dump truck 75.00 x 8 \$300.00

Contingency 10% \$90.00

Markup 25% \$247.00

Total price per private crossing \$1,237.00

Based on the above

Total cost of Public Crossing road surface remediation

38 public crossings x \$4881.00 = \$185,478.00

Total cost of remediating private crossings

14 private crossings x \$1237 = \$17,318.00

Please note that above does not provide costing for the following:

Public advertisement of projects for public convenience.

Flagging police details

Doing crossings in halves to permit road traffic

Removal of signal apparatus which can have a variety of costs and value benefits depending on material.

Does not take into consideration distance between crossings, access issues, proximity to asphalt plants.

Respectfully submitted,

A. H. Jewell

Ontonagon Line raw material						3/28/2010	CWA/ A-Team Rail
MP 365.09- MP 408.02							
Rail Section	85	90	100	112	115	131	
Miles	0	0	0	42.88	0.05	0	
NT	0	0	0	8452.5056	10.12	0	
Rail and OTM							
0 ea 131/2# Angle Bars							
0 ea 131/2# Tie Plates							
27475.2 ea 112/115# Angle Bars							
259052 ea 112/115# Tie Plates							
0 ea 100# Angle Bars							
0 ea 100# Tie Plates							
0 pr 85# Angle Bars							
0 ea 85# Tie Plates							
473 tn Misc scrap							
Ties (21" spacing)							
Total ties:	129,526						
Relay grade ties							
Yard/Branch line grade ties							
Landscaping grade ties							
Scrap ties							
spikes:							
bolts							
anchor							
# each	Number/mile		NT/mile				
0.8	12069		4.83				
2	2347		2.35				
2	3840		3.84				
Tons Scrap per mile				11.01409737			